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LEGISLATIVE HISTORY

Public Law 68--78th Congress

Chapter 120--1st Session

H. R. 2570

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DIGEST OF PUBLIC LAW 68.

CURRENT TAX PAYMENT ACT OF 1943. Requires every employer paying wages to withhold a tax equal to the greater of (1) 20% of the excess of each payment over the family status withholding exemption or (2) 3% of the excess over the Victory Tax withholding exemption. Provides that, if the employer is the U. S., the return of the amount withheld may be made by any U. S. officer or employee having control of the payment of such wages or designated for that purpose. Requires employers to furnish employees statements of wages paid and taxes deducted. Provides that, in the case of an individual whose income from farming is at least 80% of his total income, the declaration for the taxable year may be made at any time on or before the fifteenth day of the last month of the taxable year. Cancels all or part (depending upon the person's income) of individual taxes on income in 1942 or 1943, whichever is smaller.

Summary and Index of History on H. R. 2570.

April 22, 1943	Introduced by Rep. Doughton and referred to House Committee on Ways and Means. Print of bill as referred to Committee.
April 30, 1943	House Committee reported with amendments. H. Rept. 401 and 401, Pt. 2 (Minority views).
May 3, 1943	Debated in House.
May 4, 1943	Debate continued. Passed House with amendment.
May 5, 1943	Referred to Senate Committee on Finance. Print of bill as referred to Committee.
May 6, 1943	Hearings: Senate, H. R. 2570.
May 10, 1943	Senate Committee reported with amendments. S. Rept. 221. Print of bill with amendments.
May 11, 1943	Individual views. S. Rept. 221, Pt. 2.
May 12, 1943	Debated in Senate. Amendments proposed.
May 13, 1943	Debate continued. Amendment proposed by Mr. Connally (In the nature of a substitute).
May 14, 1943	Amended and passed Senate. Senate requests conference with House and appoints Senate Conferees.
May 18, 1943	House Conferees appointed.
May 28, 1943	House received Conference Report. H. Rept. 510.
June 1, 1943	House agreed to Conference Report. Senate received Conference Report.
June 2, 1943	Senate agreed to Conference Report.
June 9, 1943	Approved. Public Law 68.

H. R. 1845. An act for the relief of the estate of Ted Vaughan, deceased;

H. R. 1893. An act for the relief of George H. Crow;

H. R. 2020. An act to amend the Agricultural Adjustment Act of 1938, as amended, for the purpose of further regulating interstate and foreign commerce in tobacco, and for other purposes;

H. R. 2238. An act to authorize the return to private ownership of certain vessels formerly used or suitable for use in the fisheries or industries related thereto;

H. R. 2312. An act for the relief of Everett A. Alden, Robert Bruce, Edgar C. Faris, Jr., Kathryn W. Ross, Charles L. Rust, and Frederick C. Wright;

H. J. Res. 92. Joint resolution to authorize the refund by the War Shipping Administrator of certain freights for transportation on frustrated voyages; and

H. J. Res. 96. Joint resolution making an appropriation to assist in providing a supply and distribution of farm labor for the calendar year 1943.

ADJOURNMENT

Mr. RAMSPECK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 7 minutes p. m.), pursuant to House Concurrent Resolution No. 20, the House adjourned until Monday, May 3, 1943, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON INVALID PENSIONS

(Thursday, May 6, 1943)

There will be a public meeting of the Committee on Invalid Pensions at 10:30 a. m. in the committee room, 247 House Office Building, on Thursday, May 6, to consider H. R. 85, a bill to amend the act of March 3, 1927, entitled "An act granting pensions to certain soldiers who served in the Indian wars from 1817 to 1898, and for other purposes," and H. R. 1905, a bill to liberalize the provisions of existing laws governing the granting of service pensions to certain soldiers and widows of deceased soldiers who served in the Indian wars from 1817 to 1898, and for other purposes.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

Notice of postponement of hearing

(Thursday, May 13, 1943)

As advised in notice of March 10, 1943, Congressman BATES of Massachusetts, patron of the bill H. R. 1766, upon which hearings were scheduled on April 8, 1943, is a member of the Committee on Naval Affairs and of a subcommittee of that committee which has arranged a schedule of hearings throughout the country, which will compel Congressman BATES of Massachusetts to be absent from Washington on April 8 and also April 15.

The chairman of the committee and the Commissioner of Fisheries will be out of town on intervening dates which will necessitate a further postponement of the hearing until May 13, 1943. You are hereby notified that the hearings scheduled for April 8, and postponed until April 15, have been postponed to May 13, 1943, at 10 a. m., at which time the hearings will follow.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

354. A letter from the Administrator, War Shipping Administration, transmitting a draft of a proposed bill to suspend during the national emergency the application of sections 3114 and 3115 of the Revised Statutes, as amended, in cases of certain vessels; to the Committee on Ways and Means.

355. A letter from the Secretary of War, transmitting a draft of a proposed bill to provide for the settlement of claims for damage to or loss or destruction of property or personal injury or death caused by military personnel or civilian employees, or otherwise incident to activities, of the War Department or of the Army; to the Committee on Claims.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. COCHRAN: Committee on Accounts. H. R. 2468. A bill authorizing the assignment of personnel from departments or agencies in the executive branch of the Government to certain investigating committees of the Senate and House of Representatives, and for other purposes; without amendment (Rep. No. 379). Referred to the Committee of the Whole House on the state of the Union.

Mr. PETERSON of Florida: Committee on the Public Lands. S. 629. An act to authorize the conveyance of certain public lands in the State of Minnesota to such State for use for park, recreational, or wildlife-refugee purposes; without amendment (Rep. No. 380). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. McGEHEE: Committee on Claims. S. 555. An act for the relief of Almos W. Glasgow; without amendment (Rept. No. 382). Referred to the Committee of the Whole House.

Mr. McGEHEE: Committee on Claims. S. 717. An act for the relief of Cinda J. Short; without amendment (Rept. No. 383). Referred to the Committee of the Whole House.

Mr. McGEHEE: Committee on Claims. S. 671. An act for the relief of Charles Francis Fessenden; without amendment (Rept. No. 384). Referred to the Committee of the Whole House.

Mr. McGEHEE: Committee on Claims. S. 684. An act for the relief of Lt. M. V. Daven; without amendment (Rept. No. 385). Referred to the Committee of the Whole House.

Mr. McGEHEE: Committee on Claims. S. 839. An act conferring jurisdiction upon the United States District Court for the Middle District of North Carolina to hear, determine, and render judgment upon the claim of Etta Houser Freeman; without amendment (Rept. No. 386). Referred to the Committee of the Whole House.

Mr. McGEHEE: Committee on Claims. S. 376. An act for the relief of C. Y. Webb;

without amendment (Rept. No. 387). Referred to the Committee of the Whole House.

Mr. PATTON: Committee on Claims. H. R. 1335. A bill to provide for an appeal to the Supreme Court of the United States from the decisions of the Court of Claims in two suits instituted by H. B. Nelson (doing business as the H. B. Nelson Construction Co.); without amendment (Rept. No. 388). Referred to the Committee of the Whole House.

Mr. McGEHEE: Committee on Claims. H. R. 2454. A bill for the relief of William C. Reese; without amendment (Rept. No. 389). Referred to the Committee of the Whole House.

Mr. McGEHEE: Committee on Claims. H. R. 2415. A bill for the relief of Julia Peterson Mills; without amendment (Rept. No. 390). Referred to the Committee of the Whole House.

Mr. CARSON of Ohio: Committee on Claims. H. R. 1602. A bill for the relief of Robert N. Bickert with amendment (Rept. No. 391). Referred to the Committee of the Whole House.

Mr. PITTENGER: Committee on Claims. H. R. 215. A bill for the relief of Lorenzo H. Froman; without amendment (Rept. No. 392). Referred to the Committee of the Whole House.

Mr. KEOGH: Committee on Claims. H. R. 1518. A bill for the relief of Mrs. Bessie Pike and Mrs. Estelle Rosenfeld; with amendment (Rept. No. 293). Referred to the Committee of the Whole House.

Mr. PITTENGER: Committee on Claims. H. R. 925. A bill for the relief of the estate of Mathew C. Cowley, deceased, and the estate of Louisa Cowley, deceased; without amendment (Rept. No. 394). Referred to the Committee of the Whole House.

Mr. KEOGH: Committee on Claims. H. R. 1889. A bill for the relief of Andrew Williams; with amendment (Rept. No. 395). Referred to the Committee of the Whole House.

Mr. KEOGH: Committee on Claims. H. R. 1222. A bill for the relief of Jacob Wolozin; with amendment (Rept. No. 396). Referred to the Committee of the Whole House.

Mr. KEOGH: Committee on Claims. H. R. 1375. A bill for the relief of the Pennsylvania Coal & Coke Corporation; with amendment (Rept. No. 397). Referred to the Committee of the Whole House.

Mr. KEOGH: Committee on Claims. H. R. 563. A bill for the relief of Joe Koor; with amendment (Rept. No. 398). Referred to the Committee of the Whole House.

Mr. CARSON of Ohio: Committee on Claims. H. R. 1313. A bill for the relief of Delores Lewis; with amendment (Rept. No. 399). Referred to the Committee of the Whole House.

Mr. McGEHEE: Committee on Claims. H. R. 2528. A bill to confer jurisdiction upon the United States Court of Claims to hear, determine, and render judgment upon the claim of Christoffer Hannevig, through his trustee in bankruptcy, and for other purposes; with amendment (Rept. No. 400). Referred to the Committee of the Whole House.

ADVERSE REPORTS

Under clause 2 of rule XIII:

Mr. MAY: Committee on Military Affairs. H. Res. 185. Resolution requesting the President to transmit information with respect to approval or disapproval of priority applications (Rept. No. 381). Laid on the table.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BROWN of Georgia:

H. R. 2561. A bill to amend section 12B of the Federal Reserve Act, as amended, relating to the insurance of deposits of public funds; to the Committee on Banking and Currency.

By Mr. FULMER:

H. R. 2562. A bill to authorize the Secretary of Agriculture to sell and convey to the State hospital at Goldsboro, Goldsboro, N. C., a certain tract of land, situated in Wayne County, N. C.; to the Committee on Agriculture.

By Mr. LARCADE:

H. R. 2563. A bill to establish an Army Agricultural Corps for service in the Army of the United States; to the Committee on Military Affairs.

By Mr. NORMAN:

H. R. 2564. A bill for the relief of the allottees and their heirs holding allotments in the Quinault Indian Reservation; to the Committee on Indian Affairs.

By Mr. O'TOOLE:

H. R. 2565. A bill to establish the salary of firefighters in the employ of the War Department of the United States; to the Committee on Military Affairs.

By Mr. SIKES:

H. R. 2566. A bill authorizing the dredging of the boat basin at the mouth of the Apalachicola River at Apalachicola, Fla.; to the Committee on Rivers and Harbors.

By Mr. VOORHIS of California:

H. R. 2567. A bill to create a temporary national hospital survey; to the Committee on Interstate and Foreign Commerce.

H. R. 2568. A bill to improve practices of Government procurement agencies with regard to cost-plus-fixed-fee contracts; to the Committee on the Judiciary.

By Mr. WEICHEL of Ohio:

H. R. 2569. A bill relating to checking and quarterly payment of appropriations to the executive branch of the Government, and for other purposes; to the Committee on Expenditures in Executive Departments.

By Mr. DOUGHTON:

H. R. 2570. A bill to provide for the current payment of the individual income tax, and for other purposes; to the Committee on Ways and Means.

By Mr. BUSBEY:

H. R. 2571. A bill to grant certain persons an opportunity to ascertain whether or not they are physically qualified for military service; to the Committee on Military Affairs.

By Mr. BONNER:

H. Res. 220. Resolution authorizing the Committee on Invalid Pensions to investigate the program of the Federal Board of Hospitalization with the view of determining whether such program is being carried forth efficiently and expeditiously to meet the requirements for medical, tuberculosis, and

mental hospitalization for the wounded and sick veterans of the global war; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ARENDS:

H. R. 2572. A bill relating to the status of Oswald K. Yeager on the retired list of the Army; to the Committee on Military Affairs.

By Mr. BUSBEY:

H. R. 2573. A bill for the relief of Theodore C. Gault; to the Committee on Claims.

By Mr. LARCADE:

H. R. 2574. A bill for the relief of the Pittman Bros. Construction Co., a partnership, T. A. Pittman, president; to the Committee on Claims.

By Mr. McGEHEE:

H. R. 2575. A bill for the relief of certain disbursing officers of the Army of the United States and for the settlement of individual claims approved by the War Department; to the Committee on Claims.

By Mr. McGRANERY:

H. R. 2576. A bill to confer jurisdiction upon the Court of Claims to determine and render judgment for any losses suffered by Duffy Bros., Inc.; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

620. By Mr. GRAHAM: Petition of 89 citizens of Lawrence County, Pa., urging the passage of House bill 2082, introduced by Hon. JOSEPH R. BAYSON, of South Carolina, to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war, by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war and until the termination of mobilization; to the Committee on the Judiciary.

621. Also, petition of 59 members of the Plain Grove United Presbyterian Church, Lawrence County, Pa., urging the passage of House bill 2082, introduced by Hon. JOSEPH R. BAYSON, of South Carolina, to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war, by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war and until the termination of mobilization; to the Committee on the Judiciary.

622. By Mr. CUNNINGHAM: Petition of Jannie E. Van Horn, president, Women's Auxiliary to Des Moines Post, No. 738, of the Veterans of Foreign Wars of the United States, and 50 other members of the same

organization, urging Congress to support House bills 801 and 1744; to the Committee on World War Veterans' Legislation.

623. By Mr. KEARNEY: Petition of Frank L. Wagner and 49 other residents of Schenectady, N. Y., urging passage of House bill 2082, because of its enactment untold amounts of money, food materials, coal, iron, rubber, gasoline, and shipping space will be conserved, and a large percentage of the cause of absenteeism in war plants will be eliminated; to the Committee on the Judiciary.

624. Also, petitions signed by Harold Brown and 117 other residents of Gloversville, N. Y., petitioning the Congress of the United States to pass House bill 2082, introduced by the Honorable JOSEPH BAYSON, to reduce absenteeism, conserve manpower, and speed production of necessary materials for the winning of the war, by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war and until the termination of mobilization; to the Committee on the Judiciary.

625. Also, petition signed by Mab Schuh and 21 other residents of Glover, N. Y., urging that House bill 2082 be enacted, whereby untold amounts of money, materials, coal, iron, rubber, gasoline, shipping space will be conserved and a percentage of the cause of absenteeism in war plants will be eliminated; to the Committee on the Judiciary.

626. Also, petition signed by Henri Amos and 49 other residents of Glover and Johnstown, N. Y., urging that House bill 2082 be enacted, whereby untold amounts of money, food materials, coal, iron, rubber, gasoline, and shipping space will be conserved and a large percentage of the cause of absenteeism in war plants will be eliminated; to the Committee on the Judiciary.

627. By Mr. LEFEVRE: Petition of sundry citizens of Greene County and Columbia County, State of New York, petitioning the Congress to enact into law House bill 2082, to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war, by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war and until the termination of mobilization; to the Committee on the Judiciary.

628. By Mr. LANE: Resolution adopted by the Lawrence Central Labor Union, of Lawrence, Mass., requesting a congressional investigation of the activities of Capt. Ed V. Rickenbaker; to the Committee on the Judiciary.

629. By Mr. WELCH: Petition of the Legislature of California regarding Senate Resolution No. 20, memorializing Congress to extend the effective date of the act providing for suspension of assessment work mining claims held by location in the United States, including Alaska, to July 1, 1944; to the Committee on Mines and Mining.

78TH CONGRESS
1ST SESSION

H. R. 2570

IN THE HOUSE OF REPRESENTATIVES

APRIL 22, 1943

Mr. DOUGHTON introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To provide for the current payment of the individual income tax,
and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) this Act may be cited as the "Current Tax Pay-
4 ment Act of 1943".

5 (b) MEANING OF TERMS USED.—Except as otherwise
6 expressly provided, terms used in this Act shall have the same
7 meaning as when used in the Internal Revenue Code.

8 SEC. 2. COLLECTION OF TAX AT SOURCE ON WAGES.

9 (a) IN GENERAL.—Part II of Subchapter D of Chapter
10 1 of the Internal Revenue Code (relating to collection of
11 tax at source on wages) is amended to read as follows:

1 “Part II—Collection of Tax at Source on Wages

2 “SEC. 465. DEFINITIONS.

3 “As used in this part—

4 “(a) WAGES.—The term ‘wages’ means all remunera-
5 tion (other than fees paid to a public official) for services
6 performed by an employee for his employer, including the
7 cash value of all remuneration paid in any medium other
8 than cash; except that such term shall not include remunera-
9 tion paid—

10 “(1) for services performed as a member of the
11 military or naval forces of the United States, other than
12 pensions and retired pay included in gross income, or

13 “(2) for agricultural labor (as defined in section
14 1426 (h)), or

15 “(3) for domestic service in a private home, local
16 college club, or local chapter of a college fraternity or
17 sorority, or

18 “(4) for casual labor not in the course of the em-
19 ployer’s trade or business, or

20 “(5) for services by a citizen or resident of the
21 United States for a foreign government or for the
22 government of the Commonwealth of the Philippines, or

23 “(6) for services performed by a nonresident alien
24 individual, other than a resident of a contiguous country

1 who enters and leaves the United States at frequent
2 intervals, or

3 “(7) for such services, performed by a nonresident
4 alien individual who is a resident of a contiguous country
5 and who enters and leaves the United States at frequent
6 intervals, as may be designated by regulations prescribed
7 by the Commissioner with the approval of the Secretary,
8 or

9 “(8) for services for an employer performed by a
10 citizen or resident of the United States while outside the
11 United States (as defined in section 3797 (a) (9))
12 if the major part of the services for such employer dur-
13 ing the calendar year is to be performed outside the
14 United States, or

15 “(9) for services performed as a minister of the
16 gospel.

17 For the purpose of paragraph (8) services performed on or
18 in connection with an American vessel (as defined in section
19 1426 (g)) under a contract of service which is entered
20 into within the United States or during the performance of
21 which the vessel touches at a port in the United States, or
22 on or in connection with any vessel as an employee of the
23 United States employed through the War Shipping Ad-

1 ministration, shall not constitute services performed outside
2 the United States.

3 “(b) PAYROLL PERIOD.—The term ‘payroll period’
4 means a period for which a payment of wages is ordinarily
5 made to the employee by his employer.

6 “(c) EMPLOYEE.—The term ‘employee’ includes an
7 officer, employee, or elected official of the United States, a
8 State, Territory, or any political subdivision thereof, or the
9 District of Columbia, or any agency or instrumentality of any
10 one or more of the foregoing. The term ‘employee’ also
11 includes an officer of a corporation.

12 “(d) EMPLOYER.—The term ‘employer’ means any
13 person for whom an individual performs or performed any
14 service, of whatever nature, as the employee of such person,
15 except that if the wages paid to an individual are paid by
16 a person other than the person for whom the services are
17 or were performed, the term ‘employer’ (except for the pur-
18 poses of subsection (a)) means the person paying such
19 wages.

20 “(e) SINGLE PERSON.—The term ‘single person’ means
21 a person with respect to whom a withholding exemption
22 certificate is in effect under section 466 (h) stating that
23 such person is single, or is married and not living with hus-
24 band or wife, and is not the head of a family.

1 “(f) MARRIED PERSON.—The term ‘married person’
2 means a person with respect to whom a withholding exemp-
3 tion certificate is in effect under section 466 (h) stating that
4 he is married and living with husband or wife.

5 “(g) MARRIED PERSON CLAIMING ALL OF PERSONAL
6 EXEMPTION FOR WITHHOLDING.—The term ‘married per-
7 son claiming all of personal exemption for withholding’ means
8 a married person with respect to whom a withholding ex-
9 emption certificate is in effect under section 466 (h) stating
10 that for the purposes of this part such person claims all of
11 the personal exemption and that for the purposes of this part
12 his spouse is claiming none of the personal exemption.

13 “(h) MARRIED PERSON CLAIMING HALF OF PERSONAL
14 EXEMPTION FOR WITHHOLDING.—The term ‘married per-
15 son claiming half of the personal exemption for withholding’
16 means a married person with respect to whom a withholding
17 exemption certificate is in effect under section 466 (h) stat-
18 ing that for the purposes of this part such person claims half
19 of the personal exemption.

20 “(i) MARRIED PERSON CLAIMING NONE OF PERSONAL
21 EXEMPTION FOR WITHHOLDING.—The term ‘married person
22 claiming none of the personal exemption for withholding’
23 means a married person with respect to whom a withholding
24 exemption certificate is in effect under section 466 (h) mak-

1 ing no claim with respect to the personal exemption for the
2 purposes of this part.

3 “(j) HEAD OF FAMILY.—The term ‘head of a family’
4 means a person with respect to whom a withholding exemp-
5 tion certificate is in effect under section 466 (m) stating that
6 he is the head of a family.

7 “(k) DEPENDENT.—The term ‘dependent’ means a per-
8 son included in a withholding exemption certificate in effect
9 under section 466 (h) as a person dependent upon and re-
10 ceiving his chief support from the employee and either under
11 eighteen years of age or incapable of self support because
12 mentally or physically defective.

13 **“SEC. 466. TAX COLLECTED AT SOURCE.**

14 “(a) REQUIREMENT OF WITHHOLDING.—Every em-
15 ployer making payment of wages to any individual shall
16 withhold and collect upon such wages a tax as follows:

17 “(1) 17 per centum of the excess of each payment
18 of such wages over the withholding exemption allowable
19 under subsection (b) (1) (A), and

20 “(2) 3 per centum of the excess of each payment
21 of such wages over the withholding exemption allowable
22 under subsection (b) (1) (B),

“(b) WITHHOLDING EXEMPTION.—

“(1) In computing the tax required to be withheld under subsection (a), there shall be allowed as an exemption with respect to the wages paid for each payroll period—

“(A) in computing the portion thereof required to be withheld under subsection (a) (1), an amount determined in accordance with the following schedule:

“Payroll Period	Single Person	Married Person Claiming Whole of Personal Exemption for Withholding or Head of Family	Married Person Claiming Half of Personal Exemption for Withholding	Married Person Claiming None of Personal Exemption for Withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly-----	\$11	\$26	\$13	0	\$8
Biweekly-----	\$22	\$52	\$26	0	\$16
Semimonthly----	\$23	\$55	\$27. 50	0	\$17
Monthly-----	\$46	\$110	\$55	0	\$34
Quarterly-----	\$138	\$330	\$165	0	\$102
Semiannual-----	\$276	\$660	\$330	0	\$204
Annual-----	\$552	\$1, 320	\$660	0	\$408
Daily or miscellaneous (per day of such period)-----	\$1. 50	\$3. 60	\$1. 80	0	\$1. 10

1 “(B) in computing the portion thereof re-
 2 quired to be withheld under subsection (a) (2),
 3 an amount determined in accordance with the fol-
 4 lowing schedule:

“Payroll Period	Withholding Exemption
Weekly-----	\$12. 00
Biweekly-----	24. 00
Semimonthly-----	26. 00
Monthly-----	52. 00
Quarterly-----	156. 00
Semiannual-----	312. 00
Annual-----	624. 00
Daily or Miscellaneous (per day of such period)-----	1. 70

5 “(2) If wages are paid with respect to a period
 6 which is not a payroll period, the exemption allowable
 7 with respect to each payment of such wages shall be the
 8 exemption allowed for a miscellaneous payroll period
 9 containing a number of days equal to the number of days
 10 in the period with respect to which such wages are
 11 paid.

12 “(3) In any case in which wages are paid by an
 13 employer without regard to any payroll period or other
 14 period, the exemption allowable with respect to each
 15 payment of such wages shall be the exemption allowed
 16 for a miscellaneous payroll period containing a number

1 of days equal to the number of days (including Sundays
2 and holidays) which have elapsed since the date of the
3 last payment of such wages by such employer during
4 the calendar year, or the date of commencement of em-
5 ployment with such employer during such year, or
6 January 1 of such year, whichever is the later.

7 “(4) In any case in which the period, or the time
8 described in paragraph (3), in respect of any wages is
9 less than one week, at the election of the employer the
10 excess of the aggregate of the wages paid to the em-
11 ployee during the calendar week over the exemption
12 allowed by this subsection for a weekly payroll period
13 may be used in computing the tax required to be with-
14 held.

15 “(c) WAGE BRACKET WITHHOLDING.—

16 “(1) At the election of the employer with respect
17 to any employee, the employer shall deduct and withhold
18 upon the wages paid to such employee a tax determined
19 in accordance with the following tables, which shall be
20 in lieu of the tax required to be withheld under sub-
21 section (a) :

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a single person and has					
At least	But less than	No de- pendents	One de- pendent	Two de- pendents	Three de- pendents	Four de- pendents	Five de- pendents
		The amount to be withheld shall be					
\$0	\$10						
10	15	\$0.30					
15	20	1.30	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	2.30	.90	.30	.30	.30	.30
25	30	3.30	1.90	.50	.50	.50	.50
30	40	4.80	3.40	2.00	.70	.70	.70
40	50	6.80	5.40	4.00	2.70	1.30	1.00
50	60	8.80	7.40	6.00	4.70	3.30	2.00
60	70	10.80	9.40	8.00	6.70	5.30	4.00
70	80	12.80	11.40	10.00	8.70	7.30	6.00
80	90	14.80	13.40	12.00	10.70	9.30	8.00
90	100	16.80	15.40	14.00	12.70	11.30	10.00
100	110	18.80	17.40	16.00	14.70	13.30	12.00
110	120	20.80	19.40	18.00	16.70	15.30	14.00
120	130	22.80	21.40	20.00	18.70	17.30	16.00
130	140	24.80	23.40	22.00	20.70	19.30	18.00
140	150	26.80	25.40	24.00	22.70	21.30	20.00
150	160	28.80	27.40	26.00	24.70	23.30	22.00
160	170	30.80	29.40	28.00	26.70	25.30	24.00
170	180	32.80	31.40	30.00	28.70	27.30	26.00
180	190	34.80	33.40	32.00	30.70	29.30	28.00
190	200	36.80	35.40	34.00	32.70	31.30	30.00
\$200 or over---		20% of the excess over \$200 plus					
		\$37.80	\$36.40	\$35.00	\$33.70	\$32.30	\$31.00

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15						
15	20	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20
20	25	. 30	. 30	. 30	. 30	. 30	. 30
25	30	. 70	. 50	. 50	. 50	. 50	. 50
30	40	2. 20	. 90	. 70	. 70	. 70	. 70
40	50	4. 20	2. 90	1. 50	1. 00	1. 00	1. 00
50	60	6. 20	4. 90	3. 50	2. 10	1. 30	1. 30
60	70	8. 20	6. 90	5. 50	4. 10	2. 80	1. 60
70	80	10. 20	8. 90	7. 50	6. 10	4. 80	3. 40
80	90	12. 20	10. 90	9. 50	8. 10	6. 80	5. 40
90	100	14. 20	12. 90	11. 50	10. 10	8. 80	7. 40
100	110	16. 20	14. 90	13. 50	12. 10	10. 80	9. 40
110	120	18. 20	16. 90	15. 50	14. 10	12. 80	11. 40
120	130	20. 20	18. 90	17. 50	16. 10	14. 80	13. 40
130	140	22. 20	20. 90	19. 50	18. 10	16. 80	15. 40
140	150	24. 20	22. 90	21. 50	20. 10	18. 80	17. 40
150	160	26. 20	24. 90	23. 50	22. 10	20. 80	19. 40
160	170	28. 20	26. 90	25. 50	24. 10	22. 80	21. 40
170	180	30. 20	28. 90	27. 50	26. 10	24. 80	23. 40
180	190	32. 20	30. 90	29. 50	28. 10	26. 80	25. 40
190	200	34. 20	32. 90	31. 50	30. 10	28. 80	27. 40
\$200 or over---		20% of the excess over \$200 plus					
		\$35. 20	\$33. 90	\$32. 50	\$31. 10	\$29. 80	\$28. 40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15						
15	20	\$0. 90	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20
20	25	1. 90	. 60	. 30	. 30	. 30	. 30
25	30	2. 90	1. 60	. 50	. 50	. 50	. 50
30	40	4. 40	3. 10	1. 70	. 70	. 70	. 70
40	50	6. 40	5. 10	3. 70	2. 30	1. 00	1. 00
50	60	8. 40	7. 10	5. 70	4. 30	3. 00	1. 60
60	70	10. 40	9. 10	7. 70	6. 30	5. 00	3. 60
70	80	12. 40	11. 10	9. 70	8. 30	7. 00	5. 60
80	90	14. 40	13. 10	11. 70	10. 30	9. 00	7. 60
90	100	16. 40	15. 10	13. 70	12. 30	11. 00	9. 60
100	110	18. 40	17. 10	15. 70	14. 30	13. 00	11. 60
110	120	20. 40	19. 10	17. 70	16. 30	15. 00	13. 60
120	130	22. 40	21. 10	19. 70	18. 30	17. 00	15. 60
130	140	24. 40	23. 10	21. 70	20. 30	19. 00	17. 60
140	150	26. 40	25. 10	23. 70	22. 30	21. 00	19. 60
150	160	28. 40	27. 10	25. 70	24. 30	23. 00	21. 60
160	170	30. 40	29. 10	27. 70	26. 30	25. 00	23. 60
170	180	32. 40	31. 10	29. 70	28. 30	27. 00	25. 60
180	190	34. 40	33. 10	31. 70	30. 30	29. 00	27. 60
190	200	36. 40	35. 10	33. 70	32. 30	31. 00	29. 60
\$200 or over---		20% of the excess over \$200 plus					
		\$37. 40	\$36. 10	\$34. 70	\$33. 30	\$32. 00	\$30. 60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	\$0. 80	-----	-----	-----	-----	-----
10	15	2. 10	\$0. 80	-----	-----	-----	-----
15	20	3. 10	1. 80	\$0. 40	\$0. 20	\$0. 20	\$0. 20
20	25	4. 10	2. 80	1. 40	. 30	. 30	. 30
25	30	5. 10	3. 80	2. 40	1. 10	. 50	. 50
30	40	6. 60	5. 30	3. 90	2. 60	1. 20	. 70
40	50	8. 60	7. 30	5. 90	4. 60	3. 20	1. 80
50	60	10. 60	9. 30	7. 90	6. 60	5. 20	3. 80
60	70	12. 60	11. 30	9. 90	8. 60	7. 20	5. 80
70	80	14. 60	13. 30	11. 90	10. 60	9. 20	7. 80
80	90	16. 60	15. 30	13. 90	12. 60	11. 20	9. 80
90	100	18. 60	17. 30	15. 90	14. 60	13. 20	11. 80
100	110	20. 60	19. 30	17. 90	16. 60	15. 20	13. 80
110	120	22. 60	21. 30	19. 90	18. 60	17. 20	15. 80
120	130	24. 60	23. 30	21. 90	20. 60	19. 20	17. 80
130	140	26. 60	25. 30	23. 90	22. 60	21. 20	19. 80
140	150	28. 60	27. 30	25. 90	24. 60	23. 20	21. 80
150	160	30. 60	29. 30	27. 90	26. 60	25. 20	23. 80
160	170	32. 60	31. 30	29. 90	28. 60	27. 20	25. 80
170	180	34. 60	33. 30	31. 90	30. 60	29. 20	27. 80
180	190	36. 60	35. 30	33. 90	32. 60	31. 20	29. 80
190	200	38. 60	37. 30	35. 90	34. 60	33. 20	31. 80
\$200 or over ---		20% of the excess over \$200 plus					
		\$39. 60	\$38. 30	\$36. 90	\$35. 60	\$34. 20	\$32. 80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	-----	-----	-----	-----	-----	-----
10	15						
15	20	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20
20	25	. 30	. 30	. 30	. 30	. 30	. 30
25	30	. 70	. 70	. 50	. 50	. 50	. 50
30	40	2. 20	2. 20	. 90	. 70	. 70	. 70
40	50	4. 20	4. 20	2. 90	1. 50	1. 00	1. 00
50	60	6. 20	6. 20	4. 90	3. 50	2. 10	1. 30
60	70	8. 20	8. 20	6. 90	5. 50	4. 10	2. 80
70	80	10. 20	10. 20	8. 90	7. 50	6. 10	4. 80
80	90	12. 20	12. 20	10. 90	9. 50	8. 10	6. 80
90	100	14. 20	14. 20	12. 90	11. 50	10. 10	8. 80
100	110	16. 20	16. 20	14. 90	13. 50	12. 10	10. 80
110	120	18. 20	18. 20	16. 90	15. 50	14. 10	12. 80
120	130	20. 20	20. 20	18. 90	17. 50	16. 10	14. 80
130	140	22. 20	22. 20	20. 90	19. 50	18. 10	16. 80
140	150	24. 20	24. 20	22. 90	21. 50	20. 10	18. 80
150	160	26. 20	26. 20	24. 90	23. 50	22. 10	20. 80
160	170	28. 20	28. 20	26. 90	25. 50	24. 10	22. 80
170	180	30. 20	30. 20	28. 90	27. 50	26. 10	24. 80
180	190	32. 20	32. 20	30. 90	29. 50	28. 10	26. 80
190	200	34. 20	34. 20	32. 90	31. 50	30. 10	28. 80
\$200 or over ---		20% of the excess over \$200 plus					
		\$35. 20	\$35. 20	\$33. 90	\$32. 50	\$31. 10	\$29. 80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	\$0. 50					
30	40	2. 50	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30
40	50	4. 50	1. 80	. 60	. 60	. 60	. 60
50	60	6. 50	3. 80	1. 10	. 90	. 90	. 90
60	80	9. 50	6. 80	4. 10	1. 40	1. 40	1. 40
80	100	13. 50	10. 80	8. 10	5. 40	2. 70	2. 00
100	120	17. 50	14. 80	12. 10	9. 40	6. 70	3. 90
120	140	21. 50	18. 80	16. 10	13. 40	10. 70	7. 90
140	160	25. 50	22. 80	20. 10	17. 40	14. 70	11. 90
160	180	29. 50	26. 80	24. 10	21. 40	18. 70	15. 90
180	200	33. 50	30. 80	28. 10	25. 40	22. 70	19. 90
200	220	37. 50	34. 80	32. 10	29. 40	26. 70	23. 90
220	240	41. 50	38. 80	36. 10	33. 40	30. 70	27. 90
240	260	45. 50	42. 80	40. 10	37. 40	34. 70	31. 90
260	280	49. 50	46. 80	44. 10	41. 40	38. 70	35. 90
280	300	53. 50	50. 80	48. 10	45. 40	42. 70	39. 90
300	320	57. 50	54. 80	52. 10	49. 40	46. 70	43. 90
320	340	61. 50	58. 80	56. 10	53. 40	50. 70	47. 90
340	360	65. 50	62. 80	60. 10	57. 40	54. 70	51. 90
360	380	69. 50	66. 80	64. 10	61. 40	58. 70	55. 90
380	400	73. 50	70. 80	68. 10	65. 40	62. 70	59. 90
\$400 or over ---		20% of the excess over \$400 plus					
		\$75. 50	\$72. 80	\$70. 10	\$67. 40	\$64. 70	\$61. 90

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	-----	-----	-----	-----	-----	-----
30	40	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30
40	50	. 60	. 60	. 60	. 60	. 60	. 60
50	60	1. 40	. 90	. 90	. 90	. 90	. 90
60	80	4. 40	1. 70	1. 40	1. 40	1. 40	1. 40
80	100	8. 40	5. 70	3. 00	2. 00	2. 00	2. 00
100	120	12. 40	9. 70	7. 00	4. 30	2. 60	2. 60
120	140	16. 40	13. 70	11. 00	8. 30	5. 60	3. 20
140	160	20. 40	17. 70	15. 00	12. 30	9. 60	6. 80
160	180	24. 40	21. 70	19. 00	16. 30	13. 60	10. 80
180	200	28. 40	25. 70	23. 00	20. 30	17. 60	14. 80
200	220	32. 40	29. 70	27. 00	24. 30	21. 60	18. 80
220	240	36. 40	33. 70	31. 00	28. 30	25. 60	22. 80
240	260	40. 40	37. 70	35. 00	32. 30	29. 60	26. 80
260	280	44. 40	41. 70	39. 00	36. 30	33. 60	30. 80
280	300	48. 40	45. 70	43. 00	40. 30	37. 60	34. 80
300	320	52. 40	49. 70	47. 00	44. 30	41. 60	38. 80
320	340	56. 40	53. 70	51. 00	48. 30	45. 60	42. 80
340	360	60. 40	57. 70	55. 00	52. 30	49. 60	46. 80
360	380	64. 40	61. 70	59. 00	56. 30	53. 60	50. 80
380	400	68. 40	65. 70	63. 00	60. 30	57. 60	54. 80
\$400 or over --		20% of the excess over \$400 plus					
		\$70. 40	\$67. 70	\$65. 00	\$62. 30	\$59. 60	\$56. 80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$1. 90	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30
40	50	3. 90	1. 10	. 60	. 60	. 60	. 60
50	60	5. 90	3. 10	. 90	. 90	. 90	. 90
60	80	8. 90	6. 10	3. 40	1. 40	1. 40	1. 40
80	100	12. 90	10. 10	7. 40	4. 70	2. 00	2. 00
100	120	16. 90	14. 10	11. 40	8. 70	6. 00	3. 30
120	140	20. 90	18. 10	15. 40	12. 70	10. 00	7. 30
140	160	24. 90	22. 10	19. 40	16. 70	14. 00	11. 30
160	180	28. 90	26. 10	23. 40	20. 70	18. 00	15. 30
180	200	32. 90	30. 10	27. 40	24. 70	22. 00	19. 30
200	220	36. 90	34. 10	31. 40	28. 70	26. 00	23. 30
220	240	40. 90	38. 10	35. 40	32. 70	30. 00	27. 30
240	260	44. 90	42. 10	39. 40	36. 70	34. 00	31. 30
260	280	48. 90	46. 10	43. 40	40. 70	38. 00	35. 30
280	300	52. 90	50. 10	47. 40	44. 70	42. 00	39. 30
300	320	56. 90	54. 10	51. 40	48. 70	46. 00	43. 30
320	340	60. 90	58. 10	55. 40	52. 70	50. 00	47. 30
340	360	64. 90	62. 10	59. 40	56. 70	54. 00	51. 30
360	380	68. 90	66. 10	63. 40	60. 70	58. 00	55. 30
380	400	72. 90	70. 10	67. 40	64. 70	62. 00	59. 30
\$400 or over ---		20% of the excess over \$400 plus					
		\$74. 90	\$72. 10	\$69. 40	\$66. 70	\$64. 00	\$61. 30

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	\$1.70					
20	30	4.30	\$1.60				
30	40	6.30	3.60	\$0.80	\$0.30	\$0.30	\$0.30
40	50	8.30	5.60	2.80	.60	.60	.60
50	60	10.30	7.60	4.80	2.10	.90	.90
60	80	13.30	10.60	7.80	5.10	2.40	1.40
80	100	17.30	14.60	11.80	9.10	6.40	3.70
100	120	21.30	18.60	15.80	13.10	10.40	7.70
120	140	25.30	22.60	19.80	17.10	14.40	11.70
140	160	29.30	26.60	23.80	21.10	18.40	15.70
160	180	33.30	30.60	27.80	25.10	22.40	19.70
180	200	37.30	34.60	31.80	29.10	26.40	23.70
200	220	41.30	38.60	35.80	33.10	30.40	27.70
220	240	45.30	42.60	39.80	37.10	34.40	31.70
240	260	49.30	46.60	43.80	41.10	38.40	35.70
260	280	53.30	50.60	47.80	45.10	42.40	39.70
280	300	57.30	54.60	51.80	49.10	46.40	43.70
300	320	61.30	58.60	55.80	53.10	50.40	47.70
320	340	65.30	62.60	59.80	57.10	54.40	51.70
340	360	69.30	66.60	63.80	61.10	58.40	55.70
360	380	73.30	70.60	67.80	65.10	62.40	59.70
380	400	77.30	74.60	71.80	69.10	66.40	63.70
\$400 or over---		20% of the excess over \$200 plus					
		\$79.30	\$76.60	\$73.80	\$71.10	\$68.40	\$65.70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is the head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	1.40	1.40	.90	.90	.90	.90
60	80	4.40	4.40	1.70	1.40	1.40	1.40
80	100	8.40	8.40	5.70	3.00	2.00	2.00
100	120	12.40	12.40	9.70	7.00	4.30	2.60
120	140	16.40	16.40	13.70	11.00	8.30	5.60
140	160	20.40	20.40	17.70	15.00	12.30	9.60
160	180	24.40	24.40	21.70	19.00	16.30	13.60
180	200	28.40	28.40	25.70	23.00	20.30	17.60
200	220	32.40	32.40	29.70	27.00	24.30	21.60
220	240	36.40	36.40	33.70	31.00	28.30	25.60
240	260	40.40	40.40	37.70	35.00	32.30	29.60
260	280	44.40	44.40	41.70	39.00	36.30	33.60
280	300	48.40	48.40	45.70	43.00	40.30	37.60
300	320	52.40	52.40	49.70	47.00	44.30	41.60
320	340	56.40	56.40	53.70	51.00	48.30	45.60
340	360	60.40	60.40	57.70	55.00	52.30	49.60
360	380	64.40	64.40	61.70	59.00	56.30	53.60
380	400	68.40	68.40	65.70	63.00	60.30	57.60
\$400 or over		20% of the excess over \$400 plus					
		\$70.40	\$70.40	\$67.70	\$65.00	\$62.30	\$59.60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24 computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	\$0.30	-----	-----	-----	-----	-----
30	40	2.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	4.30	1.40	.60	.60	.60	.60
50	60	6.30	3.40	.90	.90	.90	.90
60	80	9.30	6.40	3.50	1.30	1.30	1.30
80	100	13.30	10.40	7.50	4.60	1.90	1.90
100	120	17.30	14.40	11.50	8.60	5.70	2.90
120	140	21.30	18.40	15.50	12.60	9.70	6.90
140	160	25.30	22.40	19.50	16.60	13.70	10.90
160	180	29.30	26.40	23.50	20.60	17.70	14.90
180	200	33.30	30.40	27.50	24.60	21.70	18.90
200	220	37.30	34.40	31.50	28.60	25.70	22.90
220	240	41.30	38.40	35.50	32.60	29.70	26.90
240	260	45.30	42.40	39.50	36.60	33.70	30.90
260	280	49.30	46.40	43.50	40.60	37.70	34.90
280	300	53.30	50.40	47.50	44.60	41.70	38.90
300	320	57.30	54.40	51.50	48.60	45.70	42.90
320	340	61.30	58.40	55.50	52.60	49.70	46.90
340	360	65.30	62.40	59.50	56.60	53.70	50.90
360	380	69.30	66.40	63.50	60.60	57.70	54.90
380	400	73.30	70.40	67.50	64.60	61.70	58.90
\$400 or over---		20% of the excess over \$400 plus					
		\$75.30	\$72.40	\$69.50	\$66.60	\$63.70	\$60.90

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	.90	.90	.90	.90	.90	.90
60	80	3.90	1.30	1.30	1.30	1.30	1.30
80	100	7.90	5.00	2.10	1.90	1.90	1.90
100	120	11.90	9.00	6.10	3.20	2.50	2.50
120	140	15.90	13.00	10.10	7.20	4.30	3.10
140	160	19.90	17.00	14.10	11.20	8.30	5.40
160	180	23.90	21.00	18.10	15.20	12.30	9.40
180	200	27.90	25.00	22.10	19.20	16.30	13.40
200	220	31.90	29.00	26.10	23.20	20.30	17.40
220	240	35.90	33.00	30.10	27.20	24.30	21.40
240	260	39.90	37.00	34.10	31.20	28.30	25.40
260	280	43.90	41.00	38.10	35.20	32.30	29.40
280	300	47.90	45.00	42.10	39.20	36.30	33.40
300	320	51.90	49.00	46.10	43.20	40.30	37.40
320	340	55.90	53.00	50.10	47.20	44.30	41.40
340	360	59.90	57.00	54.10	51.20	48.30	45.40
360	380	63.90	61.00	58.10	55.20	52.30	49.40
380	400	67.90	65.00	62.10	59.20	56.30	53.40
\$400 or over		20% of the excess over \$400 plus					
		\$69.90	\$67.00	\$64.10	\$61.20	\$58.30	\$55.40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 percentum of the excess of the redium wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a head of a family and has					
At least	But less than	No de- pendents	One de- pendent	Two de- pendents	Three de- pendents	Four de- pendents	Five de- pendents
		The amount to be withheld shall be					
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	-----	-----	-----	-----	-----	-----
30	40	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30
40	50	. 60	. 60	. 60	. 60	. 60	. 60
50	60	. 90	. 90	. 90	. 90	. 90	. 90
60	80	3. 90	3. 90	1. 30	1. 30	1. 30	1. 30
80	100	7. 90	7. 90	5. 00	2. 10	1. 90	1. 90
100	120	11. 90	11. 90	9. 00	6. 10	3. 20	2. 50
120	140	15. 90	15. 90	13. 00	10. 10	7. 20	4. 30
140	160	19. 90	19. 90	17. 00	14. 10	11. 20	8. 30
160	180	23. 90	23. 90	21. 00	18. 10	15. 20	12. 30
180	200	27. 90	27. 90	25. 00	22. 10	19. 20	16. 30
200	220	31. 90	31. 90	29. 00	26. 10	23. 20	20. 30
220	240	35. 90	35. 90	33. 00	30. 10	27. 20	24. 30
240	260	39. 90	39. 90	37. 00	34. 10	31. 20	28. 30
260	280	43. 90	43. 90	41. 00	38. 10	35. 20	32. 30
280	300	47. 90	47. 90	45. 00	42. 10	39. 20	36. 30
300	320	51. 90	51. 90	49. 00	46. 10	43. 20	40. 30
320	340	55. 90	55. 90	53. 00	50. 10	47. 20	44. 30
340	360	59. 90	59. 90	57. 00	54. 10	51. 20	48. 30
360	380	63. 90	63. 90	61. 00	58. 10	55. 20	52. 30
380	400	67. 90	67. 90	65. 00	62. 10	59. 20	56. 30
\$400 or over---		20% of the excess over \$400 plus					
		\$69. 90	\$69. 90	\$67. 00	\$64. 10	\$61. 20	\$58. 30

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$1. 60	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10
60	70	3. 60	. 40	. 40	. 40	. 40	. 40
70	80	5. 60	. 70	. 70	. 70	. 70	. 70
80	100	8. 60	2. 80	1. 10	1. 10	1. 10	1. 10
100	120	12. 60	6. 80	1. 70	1. 70	1. 70	1. 70
120	140	16. 60	10. 80	5. 10	2. 30	2. 30	2. 30
140	160	20. 60	14. 80	9. 10	3. 30	2. 90	2. 90
160	200	26. 60	20. 80	15. 10	9. 30	3. 80	3. 80
200	240	34. 60	28. 80	23. 10	17. 30	11. 50	5. 70
240	280	42. 60	36. 80	31. 10	25. 30	19. 50	13. 70
280	320	50. 60	44. 80	39. 10	33. 30	27. 50	21. 70
320	360	58. 60	52. 80	47. 10	41. 30	35. 50	29. 70
360	400	66. 60	60. 80	55. 10	49. 30	43. 50	37. 70
400	440	74. 60	68. 80	63. 10	57. 30	51. 50	45. 70
440	480	82. 60	76. 80	71. 10	65. 30	59. 50	53. 70
480	520	90. 60	84. 80	79. 10	73. 30	67. 50	61. 70
520	560	98. 60	92. 80	87. 10	81. 30	75. 50	69. 70
560	600	106. 60	100. 80	95. 10	89. 30	83. 50	77. 70
600	640	114. 60	108. 80	103. 10	97. 30	91. 50	85. 70
640	680	122. 60	116. 80	111. 10	105. 30	99. 50	93. 70
680	720	130. 60	124. 80	119. 10	113. 30	107. 50	101. 70
720	760	138. 60	132. 80	127. 10	121. 30	115. 50	109. 70
760	800	146. 60	140. 80	135. 10	129. 30	123. 50	117. 70
\$800 or over---		20% of the excess over \$800 plus					
		\$150. 60	\$144. 80	\$139. 10	\$133. 30	\$127. 50	\$121. 70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly							
And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No de- pendents	One de- pendent	Two de- pendents	Three de- pendents	Four de- pendents	Five de- pendents
		The amount to be withheld shall be					
\$0	\$40						
40	50						
50	60	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10
60	70	. 40	. 40	. 40	. 40	. 40	. 40
70	80	. 70	. 70	. 70	. 70	. 70	. 70
80	100	1. 10	1. 10	1. 10	1. 10	1. 10	1. 10
100	120	1. 70	1. 70	1. 70	1. 70	1. 70	1. 70
120	140	5. 70	2. 30	2. 30	2. 30	2. 30	2. 30
140	160	9. 70	4. 00	2. 90	2. 90	2. 90	2. 90
160	200	15. 70	10. 00	4. 20	3. 80	3. 80	3. 80
200	240	23. 70	18. 00	12. 20	6. 40	5. 00	5. 00
240	280	31. 70	26. 00	20. 20	14. 40	8. 60	6. 20
280	320	39. 70	34. 00	28. 20	22. 40	16. 60	10. 80
320	360	47. 70	42. 00	36. 20	30. 40	24. 60	18. 80
360	400	55. 70	50. 00	44. 20	38. 40	32. 60	26. 80
400	440	63. 70	58. 00	52. 20	46. 40	40. 60	34. 80
440	480	71. 70	66. 00	60. 20	54. 40	48. 60	42. 80
480	520	79. 70	74. 00	68. 20	62. 40	56. 60	50. 80
520	560	87. 70	82. 00	76. 20	70. 40	64. 60	58. 80
560	600	95. 70	90. 00	84. 20	78. 40	72. 60	66. 80
600	640	103. 70	98. 00	92. 20	86. 40	80. 60	74. 80
640	680	111. 70	106. 00	100. 20	94. 40	88. 60	82. 80
680	720	119. 70	114. 00	108. 20	102. 40	96. 60	90. 80
720	760	127. 70	122. 00	116. 20	110. 40	104. 60	98. 80
760	800	135. 70	130. 00	124. 20	118. 40	112. 60	106. 80
\$800 or over---		20% of the excess over \$800 plus					
		\$139. 70	\$134. 00	\$128. 20	\$122. 40	\$116. 60	\$110. 80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	-----	-----	-----	-----	-----	-----
40	50	-----	-----	-----	-----	-----	-----
50	60	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10
60	70	2. 10	. 40	. 40	. 40	. 40	. 40
70	80	4. 10	. 70	. 70	. 70	. 70	. 70
80	100	7. 10	1. 30	1. 10	1. 10	1. 10	1. 10
100	120	11. 10	5. 30	1. 70	1. 70	1. 70	1. 70
120	140	15. 10	9. 30	3. 50	2. 30	2. 30	2. 30
140	160	19. 10	13. 30	7. 50	2. 90	2. 90	2. 90
160	200	25. 10	19. 30	13. 50	7. 70	3. 80	3. 80
200	240	33. 10	27. 30	21. 50	15. 70	10. 00	5. 00
240	280	41. 10	35. 30	29. 50	23. 70	18. 00	12. 20
280	320	49. 10	43. 30	37. 50	31. 70	26. 00	20. 20
320	360	57. 10	51. 30	45. 50	39. 70	34. 00	28. 20
360	400	65. 10	59. 30	53. 50	47. 70	42. 00	36. 20
400	440	73. 10	67. 30	61. 50	55. 70	50. 00	44. 20
440	480	81. 10	75. 30	69. 50	63. 70	58. 00	52. 20
480	520	89. 10	83. 30	77. 50	71. 70	66. 00	60. 20
520	560	97. 10	91. 30	85. 50	79. 70	74. 00	68. 20
560	600	105. 10	99. 30	93. 50	87. 70	82. 00	76. 20
600	640	113. 10	107. 30	101. 50	95. 70	90. 00	84. 20
640	680	121. 10	115. 30	109. 50	103. 70	98. 00	92. 20
680	720	129. 10	123. 30	117. 50	111. 70	106. 00	100. 20
720	760	137. 10	131. 30	125. 50	119. 70	114. 00	108. 20
760	800	145. 10	139. 30	133. 50	127. 70	122. 00	116. 20
\$800 or over---		20% of the excess over \$800 plus					
		\$149. 10	\$143. 30	\$137. 50	\$131. 70	\$126. 00	\$120. 20

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	\$3.40					
40	50	7.60	\$1.90				
50	60	9.40	3.70	\$0.10	\$0.10	\$0.10	\$0.10
60	70	11.40	5.70	.40	.40	.40	.40
70	80	13.40	7.70	1.90	.70	.70	.70
80	100	16.40	10.70	4.90	1.10	1.10	1.10
100	120	20.40	14.70	8.90	3.10	1.70	1.70
120	140	24.40	18.70	12.90	7.10	2.30	2.30
140	160	28.40	22.70	16.90	11.10	5.30	2.90
160	200	34.40	28.70	22.90	17.10	11.30	5.50
200	240	42.40	36.70	30.90	25.10	19.30	13.50
240	280	50.40	44.70	38.90	33.10	27.30	21.50
280	320	58.40	52.70	46.90	41.10	35.30	29.50
320	360	66.40	60.70	54.90	49.10	43.30	37.50
360	400	74.40	68.70	62.90	57.10	51.30	45.50
400	440	82.40	76.70	70.90	65.10	59.30	53.50
440	480	90.40	84.70	78.90	73.10	67.30	61.50
480	520	98.40	92.70	86.90	81.10	75.30	69.50
520	560	106.40	100.70	94.90	89.10	83.30	77.50
560	600	114.40	108.70	102.90	97.10	91.30	85.50
600	640	122.40	116.70	110.90	105.10	99.30	93.50
640	680	130.40	124.70	118.90	113.10	107.30	101.50
680	720	138.40	132.70	126.90	121.10	115.30	109.50
720	760	146.40	140.70	134.90	129.10	123.30	117.50
760	800	154.40	148.70	142.90	137.10	131.30	125.50
\$800 or over---		20% of the excess over \$800 plus					
		\$158.40	\$152.70	\$146.90	\$141.10	\$135.30	\$129.50

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is the head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10
60	70	. 40	. 40	. 40	. 40	. 40	. 40
70	80	. 70	. 70	. 70	. 70	. 70	. 70
80	100	1. 10	1. 10	1. 10	1. 10	1. 10	1. 10
100	120	1. 70	1. 70	1. 70	1. 70	1. 70	1. 70
120	140	5. 70	5. 70	2. 30	2. 30	2. 30	2. 30
140	160	9. 70	9. 70	4. 00	2. 90	2. 90	2. 90
160	200	15. 70	15. 70	10. 00	4. 20	3. 80	3. 80
200	240	23. 70	23. 70	18. 00	12. 20	6. 40	5. 00
240	280	31. 70	31. 70	26. 00	20. 20	14. 40	8. 60
280	320	39. 70	39. 70	34. 00	28. 20	22. 40	16. 60
320	360	47. 70	47. 70	42. 00	36. 20	30. 40	24. 60
360	400	55. 70	55. 70	50. 00	44. 20	38. 40	32. 60
400	440	63. 70	63. 70	58. 00	52. 20	46. 40	40. 60
440	480	71. 70	71. 70	66. 00	60. 20	54. 40	48. 60
480	520	79. 70	79. 70	74. 00	68. 20	62. 40	56. 60
520	560	87. 70	87. 70	82. 00	76. 20	70. 40	64. 60
560	600	95. 70	95. 70	90. 00	84. 20	78. 40	72. 60
600	640	103. 70	103. 70	98. 00	92. 20	86. 40	80. 60
640	680	111. 70	111. 70	106. 00	100. 20	94. 40	88. 60
680	720	119. 70	119. 70	114. 00	108. 20	102. 40	96. 60
720	760	127. 70	127. 70	122. 00	116. 20	110. 40	104. 60
760	800	135. 70	135. 70	130. 00	124. 20	118. 40	112. 60
\$800 or over . . .		20% of the excess over \$800 plus					
		\$139. 70	\$139. 70	\$134. 00	\$128. 20	\$122. 40	\$116. 60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	\$0.20	-----	-----	-----	-----	-----
3	4	.40	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.60	.40	.20	.10	.10	.10
5	6	.80	.60	.40	.25	.10	.10
6	7	1.00	.80	.60	.45	.25	.15
7	8	1.20	1.00	.80	.65	.45	.25
8	9	1.40	1.20	1.00	.85	.65	.45
9	10	1.60	1.40	1.20	1.05	.85	.65
10	12	1.90	1.70	1.50	1.35	1.15	.95
12	14	2.30	2.10	1.90	1.75	1.55	1.35
14	16	2.70	2.50	2.30	2.15	1.95	1.75
16	18	3.10	2.90	2.70	2.55	2.35	2.15
18	20	3.50	3.30	3.10	2.95	2.75	2.55
20	22	3.90	3.70	3.50	3.35	3.15	2.95
22	24	4.30	4.10	3.90	3.75	3.55	3.35
24	26	4.70	4.50	4.30	4.15	3.95	3.75
26	28	5.10	4.90	4.70	4.55	4.35	4.15
28	30	5.50	5.30	5.10	4.95	4.75	4.55
\$30 and over---		20% of excess over \$30 plus					
		\$5.70	\$5.50	\$5.30	\$5.15	\$4.95	\$4.75

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	-----	-----	-----	-----	-----	-----
3	4	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.25	.10	.10	.10	.10	.10
5	6	.45	.25	.10	.10	.10	.10
6	7	.65	.45	.25	.15	.15	.15
7	8	.85	.65	.45	.30	.15	.15
8	9	1.05	.85	.65	.50	.30	.20
9	10	1.25	1.05	.85	.70	.50	.30
10	12	1.55	1.35	1.15	1.00	.80	.60
12	14	1.95	1.75	1.55	1.40	1.20	1.00
14	16	2.35	2.15	1.95	1.80	1.60	1.40
16	18	2.75	2.55	2.35	2.20	2.00	1.80
18	20	3.15	2.95	2.75	2.60	2.40	2.20
20	22	3.55	3.35	3.15	3.00	2.80	2.60
22	24	3.95	3.75	3.55	3.40	3.20	3.00
24	26	4.35	4.15	3.95	3.80	3.60	3.40
26	28	4.75	4.55	4.35	4.20	4.00	3.80
28	30	5.15	4.95	4.75	4.60	4.40	4.20
\$30 and over--		20% of excess over \$30 plus					
		\$5.35	\$5.15	\$4.95	\$4.80	\$4.60	\$4.40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1						
1	2						
2	3	\$0. 15					
3	4	. 35	\$0. 15	\$0. 05	\$0. 05	\$0. 05	\$0. 05
4	5	. 55	. 35	. 15	. 10	. 10	. 10
5	6	. 75	. 55	. 35	. 20	. 10	. 10
6	7	. 95	. 75	. 55	. 40	. 20	. 15
7	8	1. 15	. 95	. 75	. 60	. 40	. 20
8	9	1. 35	1. 15	. 95	. 80	. 60	. 40
9	10	1. 55	1. 35	1. 15	1. 00	. 80	. 60
10	12	1. 85	1. 65	1. 45	1. 30	1. 10	. 90
12	14	2. 25	2. 05	1. 85	1. 70	1. 50	1. 30
14	16	2. 65	2. 45	2. 25	2. 10	1. 90	1. 70
16	18	3. 05	2. 85	2. 65	2. 50	2. 30	2. 10
18	20	3. 45	3. 25	3. 05	2. 90	2. 70	2. 50
20	22	3. 85	3. 65	3. 45	3. 30	3. 10	2. 90
22	24	4. 25	4. 05	3. 85	3. 70	3. 50	3. 30
24	26	4. 65	4. 45	4. 25	4. 10	3. 90	3. 70
26	28	5. 05	4. 85	4. 65	4. 50	4. 30	4. 10
28	30	5. 45	5. 25	5. 05	4. 90	4. 70	4. 50
\$30 and over...		20% of excess over \$30 plus					
		\$5. 65	\$5. 45	\$5. 25	\$5. 10	\$4. 90	\$4. 70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	\$0. 10					
1	2	. 25	\$0. 05				
2	3	. 45	. 25	\$0. 05			
3	4	. 65	. 45	. 25	\$0. 05	\$0. 05	\$0. 05
4	5	. 85	. 65	. 45	. 30	. 10	. 10
5	6	1. 05	. 85	. 65	. 50	. 30	. 10
6	7	1. 25	1. 05	. 85	. 70	. 50	. 30
7	8	1. 45	1. 25	1. 05	. 90	. 70	. 50
8	9	1. 65	1. 45	1. 25	1. 10	. 90	. 70
9	10	1. 85	1. 65	1. 45	1. 30	1. 10	. 90
10	12	2. 15	1. 95	1. 75	1. 60	1. 40	1. 20
12	14	2. 55	2. 35	2. 15	2. 00	1. 80	1. 60
14	16	2. 95	2. 75	2. 55	2. 40	2. 20	2. 00
16	18	3. 35	3. 15	2. 95	2. 80	2. 60	2. 40
18	20	3. 75	3. 55	3. 35	3. 20	3. 00	2. 80
20	22	4. 15	3. 95	3. 75	3. 60	3. 40	3. 20
22	24	4. 55	4. 35	4. 15	4. 00	3. 80	3. 60
24	26	4. 95	4. 75	4. 55	4. 40	4. 20	4. 00
26	28	5. 35	5. 15	4. 95	4. 80	4. 60	4. 40
28	30	5. 75	5. 55	5. 35	5. 20	5. 00	4. 80
\$30 and over...		20% of excess over \$30 plus					
		\$5. 95	\$5. 75	\$5. 55	\$5. 40	\$5. 20	\$5. 00

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	-----	-----	-----	-----	-----	-----
3	4	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.25	.25	.10	.10	.10	.10
5	6	.45	.45	.25	.10	.10	.10
6	7	.65	.65	.45	.25	.15	.15
7	8	.85	.85	.65	.45	.30	.15
8	9	1.05	1.05	.85	.65	.50	.30
9	10	1.25	1.25	1.05	.85	.70	.50
10	12	1.55	1.55	1.35	1.15	1.00	.80
12	14	1.95	1.95	1.75	1.55	1.40	1.20
14	16	2.35	2.35	2.15	1.95	1.80	1.60
16	18	2.75	2.75	2.55	2.35	2.20	2.00
18	20	3.15	3.15	2.95	2.75	2.60	2.40
20	22	3.55	3.55	3.35	3.15	3.00	2.80
22	24	3.95	3.95	3.75	3.55	3.40	3.20
24	26	4.35	4.35	4.15	3.95	3.80	3.60
26	28	4.75	4.75	4.55	4.35	4.20	4.00
28	30	5.15	5.15	4.95	4.75	4.60	4.40
\$30 and over--		20% of excess over \$30 plus					
		\$5.35	\$5.35	\$5.15	\$4.95	\$4.80	\$4.60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

1 “(2) If wages are paid with respect to a period
2 which is not a payroll period, the amount to be withheld
3 shall be that applicable in the case of a miscellaneous
4 payroll period containing a number of days equal to the
5 number of days in the period with respect to which such
6 wages are paid.

7 “(3) In any case in which wages are paid by an
8 employer without regard to any payroll period or other
9 period, the amount to be withheld shall be that appli-
10 cable in the case of a miscellaneous payroll period con-
11 taining a number of days equal to the number of days
12 (including Sundays and holidays) which have elapsed
13 since the date of the last payment of such wages by such
14 employer during the calendar year, or the date of com-
15 mencement of employment with such employer during
16 such year, or January 1 of such year, whichever is the
17 later.

18 “(4) In any case in which the period, or the time
19 described in paragraph (3), in respect of any wages is
20 less than one week, at the election of the employer the
21 amount to be withheld shall be determined under the
22 tables applicable in the case of a weekly payroll period,
23 and for such purpose the aggregate of the wages paid to
24 the employee during the calendar week shall be con-
25 sidered the weekly wages.

1 “(d) TAX PAID BY RECIPIENT.—If all of the taxes
2 against which the tax required to be withheld and collected
3 under this part may be credited have been paid, the tax so
4 required to be withheld, collected, and paid by the employer
5 shall not be collected from the employer; but payment of
6 such taxes shall in no case relieve the employer from lia-
7 bility for additions to the tax otherwise applicable in respect
8 of the tax imposed by this chapter.

9 “(e) CREDIT FOR TAX WITHHELD AT SOURCE.—The
10 tax withheld and deducted under this part shall not be allowed
11 as a deduction either to the employer or to the recipient of
12 the income in computing net income; but the amount with-
13 held and deducted as tax under this part during any calendar
14 year upon the wages of any individual shall be allowed as a
15 credit to the recipient of the income against the tax imposed
16 by sections 11 and 12, or section 400, as the case may be,
17 and section 450 (adjusted for the credit allowed by section
18 453) for taxable years beginning in such calendar year.

19 “(f) REFUNDS.—Where there has been an overpay-
20 ment of tax under this part, any refund or credit made under
21 section 322 shall be made to the employer to the extent that
22 the amount of such overpayment was not withheld and
23 collected under this part by the employer.

24 “(g) INCLUDED AND EXCLUDED WAGES.—If the re-
25 munerated paid by an employer to an employee for services

1 performed during one-half or more of any payroll period
2 of not more than thirty-one consecutive days constitutes
3 wages, all the remuneration paid by such employer to such
4 employee for such period shall be deemed to be wages; but
5 if the remuneration paid by an employer to an employee for
6 services performed during more than one-half of any such
7 payroll period does not constitute wages, then none of the
8 remuneration paid by such employer to such employee for
9 such period shall be deemed to be wages.

10 “(h) WITHHOLDING EXEMPTION CERTIFICATES.—
11 Every employee receiving wages (as defined in section 465)
12 shall furnish his employer a signed withholding exemption
13 certificate relating to his status for the purpose of computing
14 the withholding exemption, or if the employer exercises his
15 election under section 466 (b) (relating to wage bracket
16 withholding), for the purpose of computing the amount to be
17 withheld under such subsection. In case such a certificate is
18 required because of a change of status, it shall be furnished not
19 later than ten days after such change occurs. The certificate
20 shall be in such form and contain such information as the
21 Commissioner may, with the approval of the Secretary, by
22 regulations prescribe. Such certificate—

23 “(1) If furnished after the date of commence-
24 ment of employment with the employer, shall take
25 effect as of the beginning of the last payroll period

1 beginning prior to, or with respect to the first pay-
2 ment of wages without regard to a payroll period
3 made after, the expiration of thirty days after the
4 date on which such certificate is furnished to the em-
5 ployer, except that at the election of the employer such
6 certificate may be made effective as of the beginning
7 of any previous payroll period ending, or with respect
8 to any previous payment of wages without regard to a
9 payroll period made, on or after the date of the furnishing
10 of such certificate.

11 “(2) If furnished on the date of commencement of
12 employment shall take effect as of the beginning of the
13 first payroll period ending, or the first payment of wages
14 made without regard to a payroll period, on or after the
15 date on which such certificate is furnished to the em-
16 ployer.

17 A certificate which takes effect under this subsection shall
18 continue in effect with respect to the employer until another
19 such certificate furnished by the employee takes effect under
20 this subsection. If no certificate is in effect under this sub-
21 section with respect to an employee, such employee shall be
22 treated, for the purposes of the withholding exemption, or
23 in case the employer exercises his election under section 466
24 (c) (relating to wage bracket withholding), for the purpose
25 of computing the amount to be withheld under such sub-

1 section, as a married person claiming none of the personal
2 exemption for withholding.

3 “(i) OVERLAPPING PAY PERIODS, AND SO FORTH.—If
4 a payment of wages is made to an employee by an em-
5 ployer—

6 “(1) with respect to a payroll period or other period,
7 any part of which is included in a payroll period or
8 other period with respect to which wages are also paid
9 to such employee by such employer, or

10 “(2) without regard to any payroll period or other
11 period, but on or prior to the expiration of a payroll
12 period or other period with respect to which wages are
13 also paid to such employee by such employer, or

14 “(3) with respect to a period beginning in one
15 and ending in another calendar year,

16 the manner of withholding and the amount to be withheld
17 under this subchapter shall be determined under regulations
18 prescribed by the Commissioner with the approval of the
19 Secretary.

20 **“SEC. 467. LIABILITY FOR TAX, AND ADJUSTMENTS.**

21 “(a) EMPLOYER LIABLE FOR TAX.—The employer
22 shall be liable for the payment of the tax required to be
23 withheld and collected under this part, and shall not be liable
24 to any person for the amount of any such payment.

25 “(b) ADJUSTMENTS.—If more or less than the correct

1 amount of tax is withheld or paid for any quarter in any
2 calendar year, proper adjustments, with respect both to the
3 tax withheld or the tax paid, may be made in any subsequent
4 quarter of such calendar year, without interest, in such
5 manner and at such times as may be prescribed by regula-
6 tions made by the Commissioner, with the approval of the
7 Secretary.

8 **"SEC. 468. RETURN AND PAYMENT BY EMPLOYER.**

9 "In lieu of the time prescribed in sections 53 and 56
10 for the return and payment of the tax imposed by this
11 chapter, every employer shall make a return and pay the
12 tax required to be withheld and collected under this part on
13 or before the last day of the month following the close of
14 each quarter of each calendar year. Such return shall con-
15 tain or be verified by a written declaration that it is made
16 under the penalties of perjury. The employer shall include
17 with the final return for the calendar year a duplicate
18 copy of each receipt required to be furnished under section
19 469. The employer shall also keep such records and render
20 under oath such statements with respect to the tax so with-
21 held and collected as may be required under regulations pre-
22 scribed by the Commissioner, with the approval of the
23 Secretary. If the employer is the United States, or a State,
24 Territory, or political subdivision thereof, or the District of
25 Columbia, or any agency or instrumentality of any one

1 or more of the foregoing, the return required in respect of
2 the amount withheld and collected upon any wages may
3 be made by any officer or employee of the United States,
4 or of such State, Territory, or political subdivision, or of the
5 District of Columbia, or of such agency or instrumentality,
6 as the case may be, having control of the payment of such
7 wages, or appropriately designated for that purpose. A defi-
8 ciency may be determined on the basis of the amounts re-
9 quired to be withheld and collected during a calendar year,
10 and in such case the amount of the tax shown on the return
11 shall be held and considered to be the aggregate of the
12 amounts of tax shown on the quarterly returns, the tax im-
13 posed under this part shall be held and considered to be the
14 aggregate of the taxes imposed for each quarter of the
15 calendar year, the date prescribed for the payment of the
16 tax shall be held and considered to be the date prescribed
17 for the making of the last quarterly return, and for the pur-
18 pose of ascertaining the return on the basis of which such
19 deficiency is determined, the quarterly returns shall be held
20 and considered to be one return required to be made on the
21 date prescribed for the making of the last quarterly return.

22 **"SEC. 469. RECEIPTS.**

23 “(a) **WAGES.**—Every employer required to withhold
24 and collect a tax in respect of the wages of an employee shall
25 furnish to each such employee in respect of his employment

1 during the calendar year, on or before January 31 of the
2 succeeding year, or, if his employment is terminated before
3 the close of such calendar year, on the day on which the last
4 payment of wages is made, a written statement showing the
5 wages paid by the employer to such employee during such
6 calendar year, and the amount of the tax withheld and
7 collected under this part in respect of such wages.

8 “(b) STATEMENTS TO CONSTITUTE INFORMATION
9 RETURNS.—The statements required to be furnished by this
10 section in respect of any wages shall be in lieu of the return
11 required to be furnished by the employer in respect of such
12 wages under section 147 and shall be furnished at such other
13 times, shall contain such other information, and shall be in
14 such form as the Commissioner, with the approval of the
15 Secretary, may by regulations prescribe.

16 “(c) EXTENSION OF TIME.—The Commissioner, under
17 such regulations as he may prescribe with the approval of the
18 Secretary, may grant to any employer a reasonable extension
19 of time (not in excess of 30 days) with respect to the state-
20 ments required to be furnished to employees on the day
21 on which the last payment of wages is made.

22 **“SEC. 470. PENALTIES.**

23 “(a) PENALTIES FOR FRAUDULENT RECEIPT OR FAIL-
24 URE TO FURNISH RECEIPT.—In lieu of any other penalty
25 provided by law (except the penalty provided by subsection

1 (b) of this section), any person required under the pro-
2 visions of section 469 to furnish a receipt in respect of tax
3 withheld pursuant to this part who wilfully furnishes a false
4 or fraudulent receipt, or who wilfully fails to furnish a receipt
5 in the manner, at the time, and showing the information
6 required under section 469, or regulations prescribed there-
7 under, shall for each such failure, upon conviction thereof
8 be fined not more than \$1,000, or imprisoned for not more
9 than one year, or both.

10 “(b) ADDITIONAL PENALTY.—In addition to the pen-
11 alty provided by subsection (a) of this section, any person
12 required under the provisions of section 469 to furnish a
13 receipt in respect of tax withheld pursuant to this part who
14 wilfully furnishes a false or fraudulent receipt, or who wilfully
15 fails to furnish a receipt in the manner, at the time, and
16 showing the information required under section 469, or
17 regulations prescribed thereunder, shall for each such failure
18 be subject to a civil penalty of not more than \$50.

19 “(c) FAILURE OF EMPLOYER TO FILE RETURN OR
20 PAY TAX.—In case of any failure to make and file return
21 or pay the tax required by this part, within the time pre-
22 scribed by law or prescribed by the Commissioner in pursu-
23 ance of law, unless it is shown that such failure is due to rea-
24 sonable cause and not due to willful neglect, the addition to

1 the tax provided for in section 291 shall not be less than
2 \$10.”

3 “(d) **PENALTIES IN RESPECT OF WITHHOLDING**
4 **EXEMPTION CERTIFICATES.**—Any individual required to
5 supply information to his employer under section 466 (h)
6 who willfully supplies false or fraudulent information, or who
7 willfully fails to supply information thereunder which would
8 decrease the withholding exemption, shall, in lieu of the
9 penalty provided in section 145 (a), upon conviction thereof,
10 be fined not more than \$500, or imprisoned for not more than
11 one year, or both.”

12 (b) **TECHNICAL AMENDMENT.**—The heading of Sub-
13 chapter D of Chapter 1 of the Internal Revenue Code is
14 amended by inserting at the end thereof the following: “**AND**
15 **COLLECTION OF TAX AT SOURCE ON WAGES**”.

16 (c) **EXPIRATION DATE FOR WITHHOLDING AT SOURCE**
17 **ON WAGES REPEALED.**—Section 476 of the Internal Revenue
18 Code (prescribing the expiration date for the taxes imposed
19 by Subchapter D) is amended by inserting before “this sub-
20 chapter” the following: “Part I of”.

21 (d) **EFFECTIVE DATE.**—The amendments made by
22 subsections (a), (b), and (c) shall take effect July 1,
23 1943, and shall be applicable to all wages paid on or after
24 such date.

1 SEC. 3. REFUNDS.

2 (a) EXCESSIVE WITHHOLDING.—Section 322 (a) (2)
3 of the Internal Revenue Code (relating to excessive with-
4 holding) is amended to read as follows:

5 “(2) EXCESSIVE WITHHOLDING.—Where the
6 amount of the tax withheld at the source under Part II
7 of Subchapter D exceeds the taxes imposed by this
8 chapter (after allowance of the credits provided by sec-
9 tions 31, 32, and 453) against which the tax so withheld
10 may be credited under section 466 (e), the amount of
11 such excess shall be credited against any income tax or
12 installment thereof then due from the taxpayer, and any
13 balance thereof shall be refunded immediately to the
14 taxpayer.”

15 (b) REVIEW OF ALLOWANCE OF INTEREST.—Section
16 3790 of the Internal Revenue Code (prohibiting administra-
17 tive review of Commissioner's decisions) is amended by in-
18 serting at the end thereof the following: “In the absence of
19 fraud or mistake in mathematical calculation, the allowance or
20 nonallowance by the Commissioner, of interest on any credit
21 or refund of amounts withheld under Part II of Subchapter
22 D of Chapter 1, or of amounts paid thereunder, or of pay-
23 ments of the estimated tax made under section 59, shall not,
24 except as provided in Chapter 5, be subject to review by any

1 other administrative or accounting officer, employee, or agent
2 of the United States.”

3 **SEC. 4. CURRENT PAYMENT OF TAX NOT WITHHELD AT**
4 **SOURCE.**

5 (a) **IN GENERAL.**—The Internal Revenue Code is
6 amended by striking out sections 58, 59, and 60 and inserting
7 in lieu thereof the following :

8 **“SEC. 58. DECLARATION OF ESTIMATED TAX BY INDI-**
9 **VIDUALS.**

10 “(a) **REQUIREMENT OF DECLARATION.**—Every in-
11 dividual (other than an estate or trust and other than a non-
12 resident alien subject to withholding under section 143 (b))
13 shall, at the time during the taxable year prescribed in sub-
14 section (d) , make a declaration of his estimated tax for the
15 taxable year if—

16 “(1) his gross income from wages (as defined in
17 section 465)

18 “(A) in case such individual is single or mar-
19 ried but not living with husband or wife : can reason-
20 ably be expected to exceed \$2,700 for the taxable
21 year ; or did exceed \$2,700 for the preceding taxable
22 year ; or

23 “(B) in case such individual is married and
24 living with husband or wife : can when added to the
25 gross income which can reasonably be expected to

1 be received by such husband or wife from wages (as
2 so defined) reasonably be expected to exceed \$3,500
3 for the taxable year; or did when added to the gross
4 income of such husband or wife from wages (as so
5 defined) for the preceding taxable year, exceed
6 \$3,500 for such preceding taxable year, or

7 “(2) his gross income from sources other than
8 wages (as defined in section 465)

9 “(A) in case such individual is single or mar-
10 ried but not living with husband or wife: can rea-
11 sonably be expected to exceed \$100 for the taxable
12 year and his gross income to be such as will require
13 the making of a return for the taxable year under
14 section 51; or did exceed \$100 for the preceding
15 taxable year and such individual either was required
16 to make a return under section 51 for such preced-
17 ing taxable year or would have been so required if
18 he had been single during the whole of such preced-
19 ing the taxable year; or

20 “(B) in case such individual is married and
21 living with husband or wife: can when added to the
22 gross income which can reasonably be expected to
23 be received by husband or wife from such sources,
24 reasonably be expected to exceed \$100 for the tax-
25 able year and the aggregate gross income of such

1 husband and wife can reasonably be expected to be
2 such as will require the making of a return under
3 section 51; or did, when added to the gross income
4 of such husband or wife from such sources for the
5 preceding taxable year, exceed \$100 for such pre-
6 ceding taxable year and such individual would have
7 been required to make a return under section 51 for
8 such preceding taxable year if he had been married
9 and living with husband or wife during the whole of
10 such preceding taxable year.

11 “(b) CONTENTS OF DECLARATION.—In the declara-
12 tion required under subsection (a) the individual shall state—

13 “(1) the amount which he estimates as the amount
14 of tax under sections 11 and 12, or 400, as the case may
15 be, and section 450, for the taxable year, without regard
16 to any credits under sections 32 and 466 (e);

17 “(2) the amount which he estimates as the credits
18 for the taxable year under sections 32 and 466 (e); and

19 “(3) the excess of the amount estimated under
20 paragraph (1) over the amount estimated under para-
21 graph (2), which for the purposes of this chapter shall
22 be held and considered the estimated tax for the taxable
23 year.

24 The declaration shall also contain such other information for

1 the purposes of carrying out the provisions of this chapter as
2 the Commissioner, with the approval of the Secretary, may
3 by regulations prescribe, and shall contain or be verified by
4 a written statement that it is made under the penalties of
5 perjury.

6 “(c) JOINT DECLARATION BY HUSBAND AND WIFE.—

7 In the case of a husband and wife living together, a single
8 declaration under this section may be made by them jointly,
9 in which case the liability with respect to the estimated tax
10 shall be joint and several. No joint declaration may be made
11 if either the husband or wife is a nonresident alien. If a
12 joint declaration is made but a joint return is not made for
13 the taxable year, the estimated tax for such year may be
14 treated as the estimated tax of either the husband or the
15 wife, or may be divided between them.

16 “(d) TIME AND PLACE FOR FILING.—The declaration
17 required under subsection (a) shall be filed on or before
18 the fifteenth day of the third month of the taxable year,
19 except that if the requirements of subsection (a) are first
20 met after such date, the declaration shall be filed on or
21 before the fifteenth day of the last month of the quarter of
22 the taxable year in which such requirements are first met.
23 An individual may make amendments or revisions of a declara-
24 tion filed under this subsection, under regulations prescribed

1 by the Commissioner with the approval of the Secretary. If
2 so made, such amendments or revisions shall be filed on or
3 before the fifteenth day of any quarter of the taxable year
4 subsequent to that in which the declaration was filed and in
5 which no previous amendments or revisions have been made
6 or filed. Declarations and amendments and revisions thereof
7 shall be filed with the Collector specified in section
8 53 (b) (1).

9 “(e) EXTENSION OF TIME.—The Commissioner may
10 grant a reasonable extension of time for filing declarations,
11 under such rules and regulations as he shall prescribe with the
12 approval of the Secretary. Except in the case of taxpayers
13 who are abroad, no such extension shall be for more than six
14 months.

15 “(f) PERSONS UNDER DISABILITY.—If the taxpayer is
16 unable to make his own declaration, the declaration shall be
17 made by a duly authorized agent or by the guardian or other
18 person charged with the care of the person or property of
19 such taxpayer.

20 “(g) SIGNATURE PRESUMED CORRECT.—The fact that
21 an individual's name is signed to a filed declaration shall
22 be prima facie evidence for all purposes that the declaration
23 was actually signed by him.

1 **"SEC. 59. PAYMENT OF ESTIMATED TAX.**

2 “(a) IN GENERAL.—The estimated tax shall be paid
3 in four equal installments except that

4 “(1) if the declaration is filed (otherwise than
5 pursuant to an extension of time) after the fifteenth
6 day of the third month of the taxable year, the esti-
7 mated tax shall be paid in equal installments the number
8 of which is equal to the number of quarters remaining
9 in the taxable year (including the quarter in which the
10 declaration is filed) ; and

11 “(2) if any amendment or revision of a declaration
12 is filed, the remaining installments shall be ratably
13 increased or decreased, as the case may be, to reflect
14 the increase or decrease, as the case may be, in the esti-
15 mated tax by reason of such amendment or revision ; and
16 “(3) at the election of the individual, any install-
17 ment of the estimated tax may be paid prior to the
18 date prescribed for its payment.

19 Payment of the estimated tax shall be considered payment
20 on account of the tax for the taxable year.

21 “(b) ASSESSMENT.—The estimated tax shall be
22 assessed only to the extent paid.

1 "SEC. 60. SPECIAL RULES FOR APPLICATION OF SECTIONS

2 58 AND 59.

3 " (a) FARMERS.—In the case of an individual whose
4 estimated gross income from farming for the taxable year
5 is at least 80 per centum of the total estimated gross income
6 from all sources for the taxable year, in lieu of the time
7 prescribed in section 58 (d), the declaration for the taxable
8 year may be made at any time on or before the fifteenth
9 day of the last month of the taxable year.

10 " (b) APPLICATION TO SHORT TAXABLE YEARS.—
11 The application of sections 58, 59, and 294 (a) (4) and
12 (5) to taxable years of less than twelve months shall be
13 as prescribed in regulations prescribed by the Commissioner
14 with the approval of the Secretary.

15 " (c) APPLICATION TO TAXABLE YEARS BEGINNING
16 IN 1943.—If the taxable year is the calendar year 1943,
17 the fifteenth day of September, 1943, shall be substituted for
18 the fifteenth day of March for the purposes of section 58 (d).
19 If the taxable year begins in 1943 after January 1, the date
20 which shall be substituted for the fifteenth day of the third
21 month of the taxable year for the purposes of section 58 (d)
22 shall be prescribed by regulations prescribed by the Com-
23 missioner with the approval of the Secretary."

24 (b) ADDITIONS TO TAX.—Section 294 (a) of the In-

1 ternal Revenue Code (relating to additions to tax in case
2 of nonpayment) is amended by inserting at the end thereof
3 the following:

4 “(3) FAILURE TO FILE DECLARATION OF ESTI-
5 MATED TAX.—In the case of a failure to make and file
6 a declaration of estimated tax within the time prescribed,
7 there shall be added to the tax \$10 or an amount equal
8 to 10 per centum of the tax, whichever is the greater.

9 “(4) FAILURE TO PAY INSTALLMENT OF ESTI-
10 MATED TAX.—In the case of the failure to pay an in-
11 stallment of the estimated tax within the time prescribed,
12 there shall be added to the tax \$2.50 or $2\frac{1}{2}$ per centum
13 of the tax, whichever is the greater, for each installment
14 with respect to which such failure occurs.

15 “(5) SUBSTANTIAL UNDERESTIMATE OF TAX.—
16 If 80 per centum of the tax, in the case of individuals
17 other than farmers exercising an election under section
18 60 (a), or if $66\frac{2}{3}$ per centum of the tax in the case of
19 such farmers, exceeds the estimated tax, there shall be
20 added to the tax an amount equal to 6 per centum of
21 such excess.”

22 (c) PENALTIES.—Section 145 (a) of the Internal Reve-
23 nue Code (relating to criminal penalties) is amended (1) by
24 inserting after “return” wherever appearing therein the words

1 “or declaration”, and (2) by inserting before “tax” wher-
2 ever appearing therein the words “estimated tax or”.

3 (d) PAYMENT BY INSTALLMENTS.—Section 56 (b) of
4 the Internal Revenue Code (relating to installment pay-
5 ments) is amended by striking out “The” at the beginning
6 thereof and inserting in lieu thereof “Except in the case of
7 an individual (other than an estate or trust and other than
8 a nonresident alien subject to withholding under section 143
9 (b)) the”.

10 (e) TAXABLE YEARS TO WHICH APPLICABLE.—The
11 amendments made by this section shall be effective with
12 respect to taxable years beginning after December 31,
13 1942.

14 **SEC. 5. RELIEF FROM DOUBLE PAYMENTS IN 1943.**

15 (a) IN GENERAL.—This subsection shall be applicable
16 with respect to taxable years beginning in 1942 but shall not
17 take effect until September 1, 1943. The tax imposed by
18 Chapter 1 of the Internal Revenue Code upon any individual
19 (other than an estate or trust and other than a nonresident
20 alien subject to withholding under section 143 (b) of such
21 chapter) shall, in lieu of that otherwise imposed, be a tax
22 determined in accordance with the following schedule:

If the tax determined without regard to this subsection is

More Than	But Not More Than	The tax shall be
\$0	\$60	\$0.
60	600	50% of excess over \$60.
600	1,000	\$270, plus 60% of excess over \$600.
1,000	1,400	\$510, plus 65% of excess over \$1,000.
1,400	2,000	\$770, plus 69% of excess over \$1,400.
2,000	2,500	\$1,184, plus 71% of excess over \$2,000.
2,500	3,000	\$1,539, plus 73% of excess over \$2,500.
3,000	3,500	\$1,904, plus 75% of excess over \$3,000.
3,500	4,000	\$2,279, plus 77% of excess over \$3,500.
4,000	6,000	\$2,664, plus 78% of excess over \$4,000.
6,000	7,000	\$4,224, plus 79% of excess over \$6,000.
7,000	8,000	\$5,014, plus 81% of excess over \$7,000.
8,000	10,000	\$5,824, plus 82% of excess over \$8,000.
10,000	15,000	\$7,464, plus 83% of excess over \$10,000.
15,000	30,000	\$11,614, plus 85% of excess over \$15,000.
30,000	45,000	\$24,364, plus 84% of excess over \$30,000.
45,000	60,000	\$36,964, plus 83% of excess over \$45,000.
60,000	130,000	\$49,414, plus 81% of excess over \$60,000.
130,000	160,000	\$106,114, plus 80% of excess over \$130,000.
160,000	200,000	\$130,114, plus 82% of excess over \$160,000.
200,000	240,000	\$162,914, plus 83% of excess over \$200,000.
240,000	255,000	\$196,114, plus 84% of excess over \$240,000.
255,000	290,000	\$208,714, plus 85% of excess over \$255,000.
290,000	385,000	\$238,464, plus 86% of excess over \$290,000.
385,000	525,000	\$320,164, plus 87% of excess over \$385,000.
525,000	715,000	\$441,964, plus 88% of excess over \$525,000.
715,000	1,055,000	\$609,164, plus 89% of excess over \$715,000.
1,055,000	2,150,000	\$911,764, plus 90% of excess over \$1,055,000.
2,150,000	4,200,000	\$1,897,264, plus 91% of excess over \$2,150,000.
4,200,000	4,500,000	\$3,762,764, plus 92% of excess over \$4,200,000.
4,500,000	-----	\$4,038,764, plus 92.05% of excess over \$4,500,000.

(b) TIME FOR PAYMENT OF REDUCED 1942 TAX.—In lieu of the time prescribed in section 56 of the Internal Revenue Code for the payment of the tax imposed by Chapter 1 of the Internal Revenue Code, as reduced under subsection

1 (a), upon an individual (other than an estate or trust and
2 other than a nonresident alien subject to withholding under
3 section 143 (b) of such chapter) for a taxable year beginning
4 in 1942, such tax as so reduced shall be paid as follows:
5 One-third thereof on or before the fifteenth day of the twenty-
6 fourth month following the beginning of such taxable year,
7 one-third on or before the fifteenth day of the thirty-sixth
8 month following the beginning of such taxable year, and
9 one-third on or before the fifteenth day of the forty-eighth
10 month following the beginning of such taxable year.

11 (c) TREATMENT OF PAYMENTS PRIOR TO SEPTEMBER
12 1, 1943, ON ACCOUNT OF UNREDUCED 1942 TAX.—Any
13 payment (other than interest and additions to the tax)
14 made prior to September 1, 1943 (or on or after such date
15 pursuant to any extension of time granted by the Commis-
16 sioner before such date) on account of the tax imposed by
17 Chapter 1 of the Internal Revenue Code upon an individual
18 (other than an estate or trust and other than a nonresident
19 alien subject to withholding under section 143 (b) of such
20 chapter) for a taxable year beginning in 1942 shall be held
21 and considered as payment on account of the estimated tax
22 for 1943. In the case of any extension of time for the
23 payment of such tax granted by the Commissioner prior
24 to September 1, 1943, payment of the portion thereof which

1 if such extension had not been granted would have been pay-
2 able under section 56 (b) prior to September 1, 1943, shall
3 be paid notwithstanding subsection (a).

4 (d) EXTENSION OF TIME FOR PAYMENT OF REDUCED
5 1942 TAX.—Where it is shown to the satisfaction of the
6 Commissioner that the payment of any installment under
7 subsection (c) upon the date prescribed for the payment
8 thereof will result in undue hardship to the taxpayer the Com-
9 missioner, under regulations prescribed by the Commissioner,
10 with the approval of the Secretary, may grant an extension
11 for the payment of such installment for a period not in excess
12 of eighteen months, and, in exceptional cases, for a further
13 period of not in excess of eighteen months. If an extension
14 is granted, the Commissioner may require a taxpayer to fur-
15 nish a bond in such amount, not exceeding double the amount
16 of the installment, with such sureties, as the Commissioner
17 deems necessary, conditioned upon the payment of the in-
18 stallment in accordance with the terms of the extension. If
19 the time for the payment of any installment is extended, there
20 shall be collected, as a part of the tax, interest on the install-
21 ment at the rate of 6 per centum per annum for the period of
22 the extension, and no other interest shall be collected on such
23 installment for such period. If the installment the time for
24 the payment of which is so extended is not paid in accord-

1 ance with the terms of the extension, there shall be collected,
2 as a part of the tax, interest on the unpaid amount at the
3 rate of 6 per centum per annum for the period from the time
4 fixed by the terms of the extension for its payment until it
5 is paid, and no other interest shall be collected on such unpaid
6 amount for such period.

7 **SEC. 6. DISCOUNT FOR ADVANCE PAYMENT OF DEFERRED**
8 **1942 TAX.**

9 In addition to the credits against the tax allowed by
10 Chapter 1 of the Internal Revenue Code, there shall be al-
11 lowed as a credit against the tax imposed by such chapter
12 upon an individual with respect to whom and for the taxable
13 year with respect to which section 5 (a) is applicable—

14 (1) an amount equal to 10 per centum of such tax
15 if the first installment of such tax is paid within the time
16 prescribed in section 5 (b), and the last two installments
17 are paid on or before the fifteenth day of the twenty-
18 seventh month following the beginning of such taxable
19 year, or

20 (2) an amount equal to 6 per centum of such tax
21 if the first two installments thereof are paid within the
22 time prescribed in section 5 (b) and the last install-
23 ment is paid on or before the fifteenth day of the thirty-
24 ninth month following the beginning of such taxable
25 year.

1 SEC. 7. ADDITIONAL ALLOWANCE FOR MEMBERS OF
2 ARMED FORCES.

3 (a) IN GENERAL.—Section 22 (b) (13) of the In-
4 ternal Revenue Code (relating to additional allowance for
5 military and naval personnel in computing net income) is
6 amended to read as follows:

7 “(13) ADDITIONAL ALLOWANCE FOR MILITARY
8 AND NAVAL PERSONNEL.—In the case of compensation
9 received during any taxable year and before the termi-
10 nation of the present war as proclaimed by the President,
11 by a member of the military or naval forces of the
12 United States for active service in such forces during
13 such war, so much of such compensation as does not
14 exceed the excess of \$3,500 over the personal exemp-
15 tion claimed under section 25 (b) by such member for
16 such taxable year (and by his spouse, if such member is
17 married and living with his spouse on the last day of the
18 taxable year and such spouse is not entitled to the bene-
19 fits of this paragraph).”

20 (b) EFFECTIVE DATE.—The amendment made by sub-
21 section (a) shall apply with respect to all compensation
22 received after December 31, 1941, by a member of the
23 military or naval forces of the United States for active service
24 in such forces.

1 SEC. 8. ABATEMENT OF TAX FOR MEMBERS OF ARMED
2 FORCES IN YEAR OF DEATH.

3 (a) IN GENERAL.—Chapter 1 of the Internal Revenue
4 Code is amended by inserting after section 404 the follow-
5 ing new supplement:

6 “Supplement U.—Abatement of Tax for Members of Armed Forces
7 in Year of Death

8 “SEC. 421. ABATEMENT OF TAX FOR MEMBERS OF ARMED
9 FORCES IN YEAR OF DEATH.

10 “In the case of any individual who dies while in active
11 service as a member of the military or naval forces of the
12 United States and prior to the termination of the present war
13 as proclaimed by the President, the tax imposed by this
14 chapter shall not apply with respect to the taxable year in
15 which falls the date of his death, and the tax under this
16 chapter and under the corresponding title of each prior reve-
17 nue law for preceding taxable years which is unpaid at the
18 date of his death (including interest, additions to the tax, and
19 additional amounts) shall not be assessed, and if assessed the
20 assessment shall be abated, and if collected shall be credited
21 or refunded as an overpayment.”

22 (b) The amendment made by subsection (a) shall be
23 effective on and after December 7, 1941.

A BILL

To provide for the current payment of the individual income tax, and for other purposes.

By Mr. DOUGHTON

APRIL 22, 1943

Referred to the Committee on Ways and Means



CURRENT TAX PAYMENT ACT OF 1943

APRIL 30, 1943.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. KNUTSON, from the Committee on Ways and Means, submitted the following

MINORITY VIEWS

[To accompany H. R. 2570]

Views of nine Republican members of the Ways and Means Committee in opposition to the committee bill and in favor of the Ruml-Carlson pay-as-you-earn plan

I. GENERAL STATEMENT

For months we of the Republican minority of the Ways and Means Committee have been doing our utmost to bring about the enactment of legislation to place personal income-tax payments on a current, pay-as-you-earn basis, so that taxpayers will be enabled to meet the present and prospective burdensome tax load with a minimum of hardship and a maximum of convenience.

We are convinced that the Ruml-Carlson plan offers the only practicable and equitable means of achieving this highly desirable tax reform. By no other method can all taxpayers be made immediately current with no doubling-up in their tax payments.

The majority members of the Ways and Means Committee not only have strenuously resisted our efforts to bring about the enactment of the Ruml-Carlson plan, but have sought, by a campaign of misrepresentation and demogogy, to discredit it in the eyes of the Congress and the people.

Less than 2 months ago, after virtually assuring taxpayers that a pay-as-you-earn tax system would be enacted, the Democratic majority turned their backs on that objective and reported to the House a make-shift bill which made no taxpayers current, and which permitted none to become current except by paying 2 full year's taxes in 1 year. Fortunately for the taxpayers, that measure was overwhelmingly rejected by the House. It will be recalled, however,

that the House came within a few votes of adopting the Ruml-Carlson plan as a substitute for the committee bill, notwithstanding the unfounded and unfair criticisms of the plan by the majority members of the committee.

Rejection of the Ruml-Carlson plan by a narrow margin at that time can be traced almost solely to the unprincipled assault by the Democratic majority, which was based, not on fact or appeal to reason but on specious and demagogic premises.

Although it is regrettable that the House was swayed in this manner, the fact that public opinion, which was overwhelmingly behind the Ruml-Carlson plan, has not been substantially altered by the political and fallacious arguments of the majority, is eloquent testimony of the plain common sense of the American people.

We sincerely hope that in reconsidering the issue at stake the House will be allowed to resolve the question solely on the basis of fact and merit.

The efforts which we of the Republican minority have heretofore made in carrying on the people's fight to have personal income tax payments placed on a current, pay-as-you-earn basis, while still short of success, have not been wholly in vain. Much progress has been made. No longer is there any issue over whether personal income taxes for 1943 and subsequent years shall be collected currently. The majority of the committee, in reporting the pending measure to the House, have at long last conceded this point. Therefore, the only issues now before the House are:

1. Whether the transition to a current basis shall or shall not involve the payment of more than 1 year's tax in a given year; and
2. Whether collections shall become fully current immediately or at a date several years hence.

II. COMMENTS ON THE COMMITTEE BILL

COMMITTEE BILL INVOLVES SUBSTANTIAL DOUBLING UP

Under the Ruml-Carlson plan, all taxpayers would be made immediately current, without any doubling-up in their tax payments.

Under the bill as reported to the House by the Democratic majority, only a fraction of the 44,000,000 taxpayers would be made immediately current, and the rest could only become current by a substantial doubling-up in their payments during the next 3 years. The latter group could only become immediately current by paying 2 years' taxes in 1 year—the 1941 tax applied to 1942 income, plus the 1943 tax.

This doubling-up of payments is a wholly unnecessary and unjustifiable exaction from taxpayers at a time when they are already experiencing considerable difficulty in meeting their present heavy tax obligations. The transition to a fully current, pay-as-you-earn basis could be made under the Ruml-Carlson plan with no added burden to the taxpayers and no loss to the Treasury.

The committee bill would drive millions more taxpayers into the hands of unscrupulous and usurious loan sharks, in order to meet the increased tax burden which it would impose.

ADDS \$5,400,000,000 TO TAX BURDEN IN NEXT 3 YEARS

By recomputing the 1942 income-tax assessment on the basis of the 1941 rates and exemptions, and collecting this reduced 1942 liability in addition to current taxes in the 3 ensuing years, the committee bill would actually increase personal income-tax payments in this period by \$5,400,000,000, or at the rate of \$1,800,000,000 annually. This is a reduction of \$4,400,000,000 from the full 1942 assessment of \$9,800,000,000, but because it would be collected in addition to current taxes, it would result in that much extra burden on taxpayers.

EMBODIES RETROGRESSIVE ABATEMENT OF 1942 LIABILITY

The committee bill discriminates unfairly as between taxpayers as regards the percentage of the 1942 liability which is to be abated in each case, and involves an even more retrogressive scale of abatement than is embraced in the so-called Robertson-Forand plan. The 7,000,000 persons who were brought within the income tax by virtue of the lowering of the exemptions under the 1942 law would receive a 100-percent abatement under the committee measure, and the scale would diminish as the income increases, reaching a minimum of about 10 percent in the highest brackets. Thus the greater the percentage of the taxpayer's income which already goes for taxes, the more doubling-up there would be under the committee bill, and in some cases it would require taxpayers to pay out more than 100 percent of their current income for taxes in each of the next 3 years.

While the committee bill "soaks the rich," it also "socks" most of the rest of the taxpayers, as is apparent from the burden tables which appear in the appendix to this report, to which we invite careful attention. (See appendix A, page 6.)

POSTPONES GOAL OF FULL TAX CURRENCY FOR 3 YEARS

By deferring for 3 years, or until March 15, 1946, the time within which most taxpayers would be fully current in their income-tax payments, the committee bill defeats the main objective of a current collection system, which is to relieve taxpayers of any overhanging income-tax debt.

It should be remembered that the compelling motive for placing the Nation on a current pay-as-you-earn basis has been the necessity of preparing for the day when the post-war readjustment comes, when millions of taxpayers will be jobless or on reduced incomes. If the income tax is not then on a fully current basis, millions of persons, mostly in the lower income brackets, will be called upon to pay perhaps a full year's tax at a time when they have neither money nor income.

Unless the majority have suddenly become endowed with some occult or mystical insight which enables them to state that the war will not end until 1947, then they have failed to meet the problem to which we have referred, since it will not be until that date that a fully current, pay-as-you-earn basis of collection will be achieved under their bill.

DISCOUNT PROVISIONS A BONUS TO WEALTHY

That the Democratic majority recognize this inherent weakness in their plan is made evident by their revival of the so-called discount provisions, which are supposedly to encourage taxpayers to discharge in advance the additional tax burden imposed on them by the committee bill. A discount of 6 percent is offered to taxpayers who are willing and able to pay their total share of the \$5,400,000,000 in additional taxes by March 15 of next year.

This discount plan would be of benefit to few, if any, of the taxpayers in the lower income brackets, to whom the payment of a single year's taxes in a given year is already a serious financial problem. On the other hand, it would amount to a lush bonus to the wealthy or fortunate few who have enough extra cash on hand to win a financial advantage which is out of reach of the average person.

POSSIBLE ADVERSE EFFECT ON WAR BOND PROGRAM

It would appear that the committee bill would be sure to have an adverse effect on the War bond program, both through making it more difficult for taxpayers to subscribe to their full share of bonds, and by inviting persons to cash the bonds they now hold to take advantage of the 6-percent rate of discount allowed for prompt payment of the unabated 1942 income tax liability. It may well be asked why the Government should pay 6-percent interest for the use of money it could otherwise borrow for $2\frac{1}{2}$ percent, or less.

COMPLICATIONS INVOLVED

The administrative complications which the committee bill would entail are numerous. Simplicity was obviously thrown "out the window" when it was drawn. Recomputation of the 1942 tax assessment on the basis of 1941 rates and exemptions, plus a 3-year spread of this overhanging liability, plus the discount features, plus the fact that some people will be partially current, others wholly current, and some not current at all during certain stages in the tax melee, can only lead to the conclusion that in the committee bill we have a tax lawyer's dream and a loan shark's "seventh heaven." The latter, especially, will do a rush business when hard-pressed taxpayers discover that the Democratic majority's bill "to provide payment currently of individual income taxes, and for other purposes" has actually raised their taxes by nearly $5\frac{1}{2}$ billion dollars.

III. RUML-CARLSON PLAN THE ONE ANSWER TO PEOPLE'S DEMAND FOR CURRENCY IN TAX PAYMENTS

PEOPLE WANT RUML-CARLSON PLAN

For many months, the 44,000,000 taxpayers of the country have been impatiently awaiting action by the Congress with reference to pay-as-you-earn tax legislation.

The people want their personal income taxes placed on a current collection basis, and they want it done immediately and with no doubling-up in the tax burden.

They are fully aware that the Ruml-Carlson plan is the only plan which will accomplish all these objectives. They will not be satisfied with anything short of it.

MODIFICATIONS MADE TO TIGHTEN "ANTIWINDFALL" PROVISIONS

The details of the Ruml-Carlson plan are already well known to the House. In the appendix to this report there appears a full explanatory statement of its provisions to which attention is invited. (See appendix B, page 7.)

From the beginning, we of the Republican minority have recognized that free and open public discussion can only strengthen a sound position. For this reason, we have accepted suggestions from time to time which have resulted in a number of perfecting changes in the original plan. We now unhesitatingly subscribe to a further slight revision because we believe that it strengthens the plan and is just and fair.

All Americans are agreed that any step which will make more certain that war profits bear their full share of the tax burden is a step to be taken fearlessly. The last modification of the Ruml-Carlson plan is for that sole purpose.

In its new form, the Ruml-Carlson plan is identical in all respects with the committee bill except as regards the question of doubling-up in payments during the transition period.

The revised Ruml-Carlson plan, which will be offered by us as a substitute for the committee bill, also conforms with the general features of the Ruml-Carlson bill which was voted on by the House on March 30, except that tighter safeguards against "windfalls" have been incorporated.

As now modified, the requirement that taxpayers pay 1943 taxes on the basis of the higher income of the 2 years, 1942 or 1943, applies to net taxable incomes over \$5,000, instead of \$20,000, as before.

Also the provision designed to eliminate any abatement of tax on swollen war income, which formerly applied only where the income of the abated year exceeded the 1941 income by more than \$50,000, now applies where it is more than \$5,000 in excess of the 1941 income, and the full income-tax rates, rather than the flat 25 and 50 percent rates previously carried, will be applied.

IV. CONCLUSION

COMMITTEE BILL A STEPCHILD OF POLITICAL PRESSURE

The majority of the Ways and Means Committee have presented a bill which was concocted only under the most insistent demands, both from the public and the House leadership.

Their bill is not the product of reason; it is the stepchild of political pressure. Like its ill-fated predecessor, it does not represent a meeting of minds, but is merely a conglomeration of stubborn differences. It reminds us that necessity always was the mother of invention.

RUMML-CARLSON PLAN BASED ON REASON AND COMMON SENSE

The Rumml-Carlson plan, on the other hand, is the outgrowth of reason and common sense.

It is as sound as it is simple.

It meets the need for putting the income-tax system on a genuine ability-to-pay basis by gearing current tax payments to current income, thereby relieving all taxpayers of any overhanging income-tax debt.

We urge the House to adopt the Rumml-Carlson plan as a substitute for the committee bill for the following reasons:

1. It accomplishes the objective of placing taxpayers on a current, pay-as-you-earn basis immediately, and not at some distant time.

2. It involves no doubling up in payments.

3. It treats all taxpayers equitably, and is the only plan which abates the 1942 tax assessment on the same progressive principle by which it was imposed.

4. It is simple to understand, and simple to put into operation and to administer.

5. It is the only plan which meets every problem squarely, openly, fairly, and honestly.

When the House passes final judgment as between the Rumml-Carlson plan and the committee bill, we are confident that the will of the overwhelming majority of the sovereign people will this time triumph.

ALLEN T. TREADWAY.

HAROLD KNUTSON.

DANIEL A. REED.

ROY O. WOODRUFF.

THOMAS A. JENKINS.

DONALD H. MCLEAN.

FRANK CARLSON.

RICHARD M. SIMPSON.

CHARLES S. DEWEY.

APPENDIX A. INCREASED TAX BURDEN UNDER COMMITTEE BILL

Unabated amount of 1942 tax to be collected under committee bill

Net income	Single person	Married person, no dependents	Net income	Single person	Married person, no dependents
\$1,000.....	\$14. 50	-----	\$8,000.....	\$1,005. 98	\$861. 08
\$1,200.....	32. 90	-----	\$10,000.....	1,460. 90	1,291. 92
\$1,500.....	60. 50	-----	\$15,000.....	2,949. 48	2,704. 56
\$1,800.....	88. 10	\$21. 60	\$20,000.....	4,868. 64	4,581. 08
\$2,000.....	106. 50	40. 00	\$25,000.....	7,157. 32	6,824. 40
\$2,500.....	152. 50	86. 00	\$50,000.....	20,803. 35	20,392. 80
\$3,000.....	206. 00	132. 00	\$100,000.....	53,173. 21	52,702. 60
\$4,000.....	321. 60	236. 00	\$250,000.....	158,499. 12	157,994. 00
\$5,000.....	462. 00	357. 60	\$500,000.....	345,929. 92	345,394. 00
\$6,000.....	623. 10	505. 00	\$1,000,000.....	733,422. 24	732,874. 00

The foregoing additional amounts, spread over a period of 3 years, would increase the tax burden as follows:

Increase in tax burden under committee bill

Net income before personal exemption	Single person		Married person, no dependents	
	Present tax, including gross Victory tax	Present tax, plus one-third of unabated 1942 assessment	Present tax, including gross Victory tax	Present tax, plus one-third of unabated 1942 assessment
\$1,000.....	\$113. 36	\$118. 19	-----	-----
\$1,200.....	161. 27	172. 24	-----	-----
\$1,500.....	233. 13	253. 30	-----	-----
\$1,800.....	305. 00	334. 37	\$172. 00	\$179. 20
\$2,000.....	352. 91	388. 41	219. 91	233. 24
\$2,500.....	472. 69	523. 52	339. 69	368. 36
\$3,000.....	607. 47	676. 14	459. 47	503. 47
\$4,000.....	877. 02	984. 22	703. 02	801. 69
\$5,000.....	1,166. 58	1,320. 58	992. 58	1,111. 78
\$6,000.....	1,476. 13	1,683. 83	1,294. 13	1,462. 53
\$8,000.....	2,155. 24	2,490. 57	1,945. 24	2,232. 27
\$10,000.....	2,914. 36	3,401. 33	2,676. 36	3,107. 00
\$15,000.....	5,168. 13	6,151. 29	4,782. 13	5,755. 65
\$20,000.....	7,895. 91	9,518. 79	7,439. 91	9,058. 93
\$25,000.....	10,983. 69	13,369. 46	10,577. 69	12,852. 49
\$50,000.....	28,557. 58	35,492. 03	28,074. 58	34,872. 18
\$100,000.....	70,165. 36	87,889. 76	69,584. 36	87,151. 89
\$250,000.....	208,473. 69	261,306. 73	207,857. 69	260,522. 36
\$500,000.....	442,362. 58	557,672. 55	441,746. 58	556,877. 91
\$1,000,000.....	900,000. 00	1,144,474. 08	900,000. 00	1,144,291. 33

Even a casual examination of the foregoing table will disclose the sharply increased tax burden which the committee bill would impose all along the line. It will be noted that at the \$250,000 income level, more than 100 percent of the current income would be collected in the form of taxes during the next 3 years.

Even at the \$50,000 level, 70 percent of the current income would be taken for taxes over a 3-year period.

At the \$10,000 level, the committee bill would impose what is equivalent to a 34 percent gross income tax on single persons, and a 31 percent gross income tax on married persons.

On incomes of \$5,000, the single person would have to pay \$154 additional each year for 3 years, and the married person \$119 additional each year.

On lesser amounts of income the increased tax becomes less in dollars, but, of course, in the lower brackets, every additional dollar which is imposed looms very large in the taxpayers' budget.

APPENDIX B. DETAILED EXPLANATION OF THE PROVISIONS OF REVISED RUMML-CARLSON PLAN

The first section provides that the proposed substitute for the committee bill may be cited as the Current Tax Payment Act of 1943, and provides that terms used therein are to have the same meaning as when used in the Internal Revenue Code.

PREVENTION OF DOUBLING-UP OF TAX PAYMENTS

The substitute bill provides for current tax payments only by individuals.

Section 2 contains the provisions relating to the manner of transition from the present system to a pay-as-you-go system.

Since the substitute requires that the tax assessed against the income of any year is to be paid currently during that year, it is necessary in order to prevent the doubling up of tax payments in 1943 to abate one year's tax liability.

This is effected under section 2 of the substitute by the discharge of the 1942 liability.

PREVENTION OF "WINDFALLS"

Subsections (b) and (c) of section 2 of the substitute contain special rules to prevent the abatement on the 1942 liability from resulting in "windfalls" to taxpayers.

(a) *Taxpayers with substantial incomes whose 1942 tax is greater than 1943 tax.*—Section 2 (b) of the substitute contains provisions designed to prevent the abatement of the 1942 tax from resulting in a windfall to well-to-do taxpayers whose 1942 tax is greater than their 1943 tax. It provides that if the 1942 tax was \$1,050 or more (the tax on a surtax net income of \$5,000) and also more than the 1943 tax, the 1942 tax is to be abated but the 1943 tax is at the same time to be increased by the amount by which the 1942 tax exceeds the 1943 tax, or by the amount by which the 1942 tax exceeds \$1,050 in cases where the 1943 tax is less than \$1,050.

This provision has the effect of requiring such a taxpayer to pay in 1943 a tax equal to the higher tax of the 2 years with one exception: If the tax for 1943 is less than \$1,050 (the tax on a surtax net income of \$5,000), the 1943 tax is increased only by the excess of the 1942 tax over \$1,050. This exception constitutes a "notch" provision and is necessary to prevent unfair discrimination between taxpayers slightly over the \$5,000 income level on the one hand and those slightly under that level on the other. It has the effect of abating not less than \$1,050 of tax liability for every individual taxpayer.

Two examples will illustrate how section 2 (b) of the substitute will operate:

Example 1. Taxpayer with a 1942 income of \$1,000,000 and no 1943 income: Richard Roe, single, had a tax liability for 1942 of \$859,140, and without the application of the substitute had no tax liability for 1943. Section 2 (b) of the substitute abates the 1942 tax liability but at the same time increases the 1943 liability by the excess of the \$859,140 over \$1,050 (since the 1943 liability is less than \$1,050). Thus Richard Roe will have to pay in 1943 \$858,090 as his 1943 tax.

Example 2. Taxpayer whose 1942 income and 1943 income totaled over \$5,000: John Doe, single, had a tax liability for 1942 of \$1,200, indicating a surtax net income of approximately \$5,500 and, without the application of the substitute, a tax for 1943 of \$1,150. Section 2 (b) of the substitute abates the 1942 tax liability but at the same time increases the 1943 liability by the excess of the \$1,200 over the \$1,150. Thus John Doe will have to pay in 1943 \$1,200 (\$1,150 plus \$50) as his 1943 tax.

(b) Taxpayers with substantial income whose 1942 and 1943 incomes are substantially greater than 1941 income.—Section 2 (c) of the substitute contains a special rule for the case in which both the 1942 and 1943 incomes are more than \$5,000 in excess of the 1941 income.

The following example explains this provision and illustrates how it will operate:

Example: Taxpayer whose income as a result of the war has increased to \$1,200,000. John Smith, single, had a surtax net income for 1941, 1942, and 1943 as follows: 1941, \$100,000; 1942, \$1,200,000; 1943, \$1,000,000.—Thus both his 1942 and 1943 income is greatly in excess of his 1941 income of \$100,000. His 1943 war profits will be taxed as part of his 1943 income at the existing rates, and the tax thereon will be paid currently in 1943 out of his 1943 income. If any of his 1941 income represented war profits, that was taxed under the 1941 law, and the tax thereon paid out of 1942 income, but the 1941 tax so paid was small in relation to the income of 1942 out of which it was paid. Section 2 (c) of the substitute is designed to prevent the abatement of the 1942 tax from resulting in the abatement of taxes attributable to his war profits in 1942 which have borne only a small tax burden in relation to the 1942 income. Section 2 (b) has already added to his 1943 tax the amount by which his 1942 tax exceeds his 1943 tax, so the portion of his 1942 income to which such excess is attributable is already taxed under section 2 (b) of the substitute. Hence the only portion of his 1942 income which thus far under the substitute has not borne its just tax burden is the portion thereof which is greater than the 1941 income and not greater than the 1943 income, with an allowance of \$5,000 for reasonable fluctuations in income. This portion is the excess of \$1,000,000 (the part of the 1942 income which is not greater than the 1943 income) over \$105,000 (the 1941 income plus \$5,000), or \$895,000. Under section 2 (c) this \$895,000 is taxed at the regular normal and surtax rates, resulting in a tax of \$762,740 which is added to the 1943 tax computed under existing law and section 2 (b) of the substitute. The taxpayer may get an extension of time not exceeding 3 years to pay this additional amount.

If an extension is granted, interest is charged at the rate of 4 percent per annum.

(c) Taxpayers who died in 1942.—Section 2 (e) of the substitute provides that if the individual died during the taxable year 1942, sections 2 (a) and 2 (b) are not to apply, and the tax for such taxable year is to be abated to the extent of not more than \$1,050.

(d) Treatment of payments already made on account of 1942 tax.—Section 2 (f) of the substitute provides that payments made prior to the effective date of section 2 (a) or 2 (b), whichever is applicable, on account of the 1942 tax are to be treated as payments on account of the estimated tax for 1943.

The effective date of section 2 (a) (which discharges the 1942 liability where such liability is less than \$1,050) is September 1, 1943.

Thus the taxpayers to whom section 2 (a) applies will be required to pay the first two installments on their 1942 tax.

The effective date of section 2 (b) is the date prescribed for the making of the return for the taxable year 1943 (which is March 15, 1944, in the case of a calendar year taxpayer). Since section 2 (b) applies only where the 1942 tax was \$1,050 or more, taxpayers to whom this section applies will have to pay all four installments of their 1942 tax.

In both of the above cases the installments paid on account of the 1942 tax are treated as payments on account of the estimated tax for 1943.

Section 2 (g) of the substitute is a technical provision defining the use of the terms "taxable year 1941," "taxable year 1942," and "taxable year 1943." It also provides that for the purposes of section 2, "taxable year" as applied to the taxable year 1942 does not include any period of less than 12 months unless occasioned by the death of the taxpayer.

COLLECTION OF TAX AT SOURCE ON WAGES AND SALARIES

Section 3 of the substitute provides for the collection at the source on wages and salaries of 3 percent of so much of the wages or salaries as exceeds the Victory tax exemption of \$12 a week or \$624 a year, and 17 percent of so much of the wages or salaries as exceeds the regular income-tax personal exemption and credit for dependents plus 10 percent of such exemption and credit to allow for average deductions. It is designed to collect in full the tax liability of the average taxpayer who receives almost all of his income in the form of wages or salary and who is not taxed above the first surtax bracket. The withholding provisions of the substitute are the same as those of H. R. 2570 reported by the majority of the committee.

CURRENT PAYMENT OF TAX NOT WITHHELD AT SOURCE

Section 5 of the substitute strikes sections 58, 59, and 60 of the Internal Revenue Code and inserts in lieu thereof new sections 58, 59, and 60 to provide for the current payment of that portion of the individual's tax liability not required to be withheld at source. The amount of such current payment is to be determined upon the basis of a declaration by the taxpayer of his estimated tax liability for the current taxable year.

DECLARATION OF ESTIMATED TAX

Subsection (a) of section 58 prescribes the rules for determining what persons are required to make a declaration of estimated tax liability. Nonresident aliens subject to withholding under the provisions of section 143 and estates and trusts are specifically excepted from the requirement to make such declaration. Nonresident alien individuals who are residents of a contiguous country and who enter and leave the United States at frequent intervals are not subject to withholding under section 143 and hence are not within the exception. The requirements as to who shall make and file a declaration are based generally upon the estimated gross income for the current taxable year, or the actual gross income for the preceding taxable year, the amounts prescribed as the test depending upon the nature of such income and the personal status of the individual as a single or married person at the time prescribed for the making of the declaration.

INDIVIDUALS REQUIRED TO MAKE DECLARATION

Under the conditions set forth in section 58 (a), every individual who, at the time prescribed for the making of the declaration, is single or is married but not living with husband or wife shall make and file a declaration of his estimated tax liability if—

(1) his gross income from wages (as defined in sec. 465) can reasonably be expected to exceed \$2,700 for the taxable year, or

(2) his gross income from wages (as defined in sec. 465) did exceed \$2,700 for the preceding taxable year, or

(3) it can reasonably be expected that for the taxable year his gross income from sources other than wages (as defined in sec. 465) will exceed \$100 and his gross income from all sources will amount to \$500 or more, or

(4) his gross income for the preceding taxable year from sources other than wages (as defined in sec. 465) did exceed \$100 and (A) his gross income from all sources for the preceding taxable year was \$500 or more or (B) the aggregate gross income from all sources of such individual and his spouse (if any) for the preceding taxable year was \$1,200 or more.

Every individual who, at the time prescribed for the making of the declaration, is married and living with husband or wife shall make a declaration of his estimated tax liability if—

(1) the aggregate gross income of such individual and his spouse from wages (as defined in sec. 465) can reasonably be expected to exceed \$3,500 for the taxable year, or

(2) the aggregate gross income of such individual and his spouse from wages (as defined in sec. 465) did exceed \$3,500 for the preceding taxable year, or

(3) it can reasonably be expected that for the taxable year the aggregate gross income of such individual and his spouse from sources other than wages (as defined in sec. 465) will exceed \$100 and the aggregate gross income from all sources will amount to \$1,200 or more, or

(4) the aggregate gross income of such individual and his spouse from sources other than wages (as defined in sec. 465) did exceed \$100 for the preceding taxable year and the gross income from all sources of such individual for the preceding taxable year was \$1,200 or more.

For the purposes of section 58, the amount of the gross income which the taxpayer can reasonably be expected to receive or, in the case of a taxpayer upon the accrual basis, the amount which can reasonably be expected to accrue, shall be determined upon the basis of the facts and circumstances existing as of the time prescribed for the making of the declaration and under the assumption that such facts and circumstances will continue throughout the taxable year.

CONTENTS OF DECLARATION

Subsection (b) of section 58 prescribes the rules relative to the form and content of the taxpayer's declaration of estimated tax. It is required generally that the declaration shall be in such form and contain such information as may be prescribed by the Commissioner under regulations approved by the Secretary. The proposed subsection (b) specifically requires that the declaration shall state (1) the

amount which the taxpayer estimates as the amount of his tax liability under chapter 1 for the current taxable year (including the tax imposed by secs. 11 and 12 or sec. 400, as the case may be, and the Victory tax imposed by section 450) without regard to any credits for tax withheld at source; (2) the amount which he estimates as the amount of the credits allowable for the taxable year under sections 32 and 466 (e) on account of tax withheld at source of wages; and (3) the excess of the amount estimated under (1) over the amount estimated under (2). For the purposes of chapter 1 of the Internal Revenue Code subsection (b) defines the term "estimated tax for the taxable year" as the excess of the estimated gross tax liability under chapter 1 over the amount which the taxpayer estimates as the amount which will be allowed as a credit for the taxable year for tax withheld at the source. In brief, the estimated tax for the taxable year is the estimated gross tax liability under chapter 1 minus the estimated amount of the credit for tax withheld at the source. The subsection further provides that every declaration of estimated tax for the taxable year shall contain or be verified by a written statement that it is made under the penalties of perjury.

JOINT DECLARATIONS BY HUSBAND AND WIFE

Under the provisions of subsection (c) a husband and wife living together at the time prescribed for making a declaration may elect to make a joint declaration in which case the liability with respect to the estimated tax shall be joint and several. A joint declaration by husband and wife under the provisions of subsection (c) shall be signed and verified by both spouses. If the declaration is signed by one spouse as agent for the other, authorization for such action must accompany the declaration. No joint declaration is permitted if either husband or wife is a nonresident alien. If the husband and wife make a joint declaration but do not make a joint return for the taxable year the amounts paid on account of the estimated tax for such year may be treated as payments on account of the actual tax liability of either the husband or wife for the taxable year or may be divided between them in any manner they see fit.

TIME AND PLACE FOR FILING DECLARATION

The time and place for filing declarations of estimated tax liability required under section 58 are prescribed in subsection (d) of such section. Such declarations must be filed on or before the 15th day of the third month of the taxable year by every person whose anticipated income for the current taxable year or whose actual income for the preceding taxable year satisfies the requirements of subsection (a) as of such date. In the more usual case of taxpayers on the calendar-year basis, such returns are to be filed on or before the 15th day of March. In the case of taxpayers on a fiscal year basis, such date will be the 15th day of the third month of the particular fiscal year. If, under the provisions of subsection (a), a declaration is not required on or before the 15th day of the third month of the taxable year but subsequent thereto the facts and circumstances are such that the gross income for the taxable year can reasonably be expected to meet the requirements of subsection (a), a declaration of the estimated tax liability is required to be filed. In such event, the declaration must be filed on or before the 15th day of the last month of the quarter of the taxable year in which the requirements of subsection (a) are first met. For example, a single person was

hired on January 2, 1944, at a salary of \$2,400 per annum. He had no other source of income and did not receive any income during the preceding taxable year. In the absence of any change of circumstances before March 15, 1944, such person is not required to make a declaration as of that date. On May 1 such person was advised that thereafter his salary would be increased to \$3,200 per year. Hence, on that date the gross income of such person for the taxable year could reasonably be expected to exceed \$2,700. Therefore, assuming that such taxpayer makes his income-tax return on a calendar-year basis, a declaration of his estimated tax liability for the taxable year should be filed on or before the 15th day of June of such year.

AMENDMENTS AND REVISIONS OF DECLARATION

Under the provisions of subsection (d), amended or revised declarations are permitted, subject to such regulations as may be prescribed by the Commissioner with the approval of the Secretary. Any such amended or revised declarations must be filed on or before the 15th day of the third month of any quarter of the taxable year subsequent to the quarter in which the last previous declaration or amended declaration was filed. Declarations of estimated tax liability and all amended or revised declarations shall be filed with the collector of internal revenue for the district in which is located the legal residence or principal place of business of the person making such declaration or, if the declarant has no legal residence or principal place of business in the United States, such declarations and amendments and revisions shall be filed with the Collector of Internal Revenue at Baltimore, Md. If the declaration of estimated tax liability is filed with the collector of internal revenue for a particular district, any subsequent amendments and revisions of such declaration shall be filed with the same collector.

Subsection (e) of section 58 authorizes the Commissioner to grant a reasonable extension of time for making the declaration and payment of the estimated tax under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no extension shall be granted for a period of more than 6 months.

Subsection (f) relating to persons under disability provides that if the taxpayer is unable to make his own declaration a declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer. In such case, the taxpayer and his agent shall be responsible for the declaration as made and incur liability for any penalties provided for erroneous, false, or fraudulent declaration.

Under subsection (g), it is provided that the fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

PAYMENT OF ESTIMATED TAX

Under the provisions of new section 59, if the declaration of the estimated tax is made on or before the 15th day of the third month of the taxable year, such tax shall be paid in four equal installments. In such case the first installment shall be paid at the time of filing the declaration, the second installment on the 15th day of the sixth month, the third installment on the 15th day of the ninth month, and the fourth installment on the 15th day of the twelfth month of the taxable year.

If the declaration of estimated tax is filed after the 15th day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year. For example, if the declaration is filed on the 15th day of the sixth month of the taxable year, the estimated tax shall be paid in three equal installments.

If, pursuant to section 58 (e), the Commissioner grants an extension of time within which to make a declaration of estimated tax, installments of such tax shall be paid at such time and under such conditions as the Commissioner may prescribe.

If a taxpayer files an amended or revised declaration of estimated tax, the remaining installments of estimated tax shall be ratably increased or decreased, as the case may be, to reflect any change made in the previously estimated tax by such amendment or revision. For example, on March 15, 1944, the taxpayer filed a declaration of estimated tax for the calendar year 1944 in the amount of \$600. An installment of \$150 was paid at the time of making such declaration. However, on June 15, 1944, the taxpayer filed an amended declaration disclosing an estimated tax for the taxable year of \$300 instead of the \$600 originally estimated. As a result of such amended declaration, the installments of estimated tax required to be paid on June 15, September 15, and December 15 will each be \$50.

At the election of the taxpayer, any installment of estimated tax may be paid prior to the date prescribed for its payment, provided that such installment is paid in full.

The section further provides that payment of the estimated tax should be considered payment on account of the tax imposed by chapter 1 for the taxable year.

Subsection (b) of section 59 provides that the estimated tax shall be assessed only to the extent paid. Therefore, except as otherwise specifically provided with respect to such estimated tax, the provisions of law applicable with respect to the assessment and collection of the taxes imposed by chapter 1 have no application to the estimated tax. Such provision, however, does not affect the application by the Commissioner of section 146 relating to the closing by the Commissioner of the taxable year.

PAYMENT OF ESTIMATED TAX BY FARMERS

New section 60 provides special rules for the application of sections 58 and 59 relating to the declaration and payment of the estimated tax. Subsection (a) allows the individual whose estimated gross income from farming for the taxable year is at least 80 percent of his total estimated gross income from all sources for the taxable year the option of filing his declaration on or before the 15th day of the last month of the taxable year, in lieu of the time prescribed for other individuals under section 58 (d). This provision recognizes the difficulty of estimating in the early part of the taxable year the amount of income which will be derived from ordinary farm operations. Weather conditions, plant and animal diseases, ravages of insects and other pests, are among the factors which contribute to the uncertainty of such income.

TAXABLE YEARS OF LESS THAN 12 MONTHS

Subsection (b) of new section 60 authorizes the Commissioner, with the approval of the Secretary, to prescribe suitable regulations for the application of sections 58, 59, and 294 (a) (4) and (5), added to the

Internal Revenue Code by the bill. Thus, the rules applicable to short taxable years with respect to the declaration and payment of the estimated tax, additions to the tax for failure to make timely payment of installments of estimated tax, and for substantial underestimates of tax, are to be established by regulations.

FILING OF DECLARATION OF ESTIMATED TAX FOR 1943

Subsection (c) prescribes the special rule governing the transition to the system of current payment of the income tax on income not subject to withholding at source. The subsection provides the rule applicable with respect to the filing of the first declaration required under the bill. In the case of a taxable year which is the calendar year 1943, the declaration is to be filed on or before September 15, 1943. In the case of a taxable year which is a fiscal year beginning after January 1, 1943, the declaration shall be filed on such date as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Apart from the date for filing the first declaration, all of the other rules prescribed in the bill with respect to declarations generally shall be applicable to such first declaration.

PENALTIES

Section 5 (b) of the substitute adds to section 294 (a) of the Code three new paragraphs, numbered (3), (4), and (5). These paragraphs contain sanctions relating to the filing of declarations and payment of installments of estimated tax and to the proper estimate of tax.

Paragraph (3) provides for an addition to the tax in the case of failure to make and file a declaration of estimated tax within the time specifically prescribed by this bill or within the time prescribed by the Commissioner under the authority granted by the bill. Such addition to the tax shall be in an amount equal to 10 percent of the tax, but in no event shall the amount of such addition be less than \$10. The term "the tax" for the purpose of this provision means the tax imposed by chapter 1 of the Code.

Paragraph (4) provides for an addition to the tax imposed by chapter 1 of the code in the case of the failure to pay an installment of the estimated tax within the time specifically prescribed in the bill or within the time prescribed by the Commissioner pursuant to authority granted by the bill. Such addition to the tax shall be in the amount of 2½ percent of the tax imposed by chapter 1, but in no event less than \$2.50, for each installment with respect to which such failure occurs. In the case of husband and wife who file a joint declaration of estimated tax for the taxable year, and subsequently file separate returns for such year, the addition to the tax in the case of a failure to pay an installment of the estimated tax within the time prescribed, shall be 2½ percent of the tax imposed on each spouse under chapter 1, but not less than \$2.50 in the case of each spouse, for each installment with respect to which such failure occurs.

CRIMINAL PENALTIES

Section 5 (c) of the substitute makes the criminal penalties of section 145 (a) of the code applicable to willful failure to file declarations and pay estimated tax.

ADDITIONAL ALLOWANCE FOR MILITARY AND NAVAL PERSONNEL

Section 22 (b) (13) of the code makes provision for an exclusion from gross income in the case of personnel below the grade of commissioned officer in the military and naval forces of the United States. The amount to be excluded under this provision is not to exceed \$250 in the case of a single person and \$300 in the case of a married person or head of a family and applies only to salary or compensation received for active service in the armed forces during the present war.

Section 6 of the substitute proposes to amend section 22 (b) (13) of the code to effect an exclusion from gross income in the case of military and naval personnel, without distinction as to rank, with respect to the compensation received during any taxable year and before the termination of the present war as proclaimed by the President for active service during such war. The amount so excluded is not to exceed the excess of \$3,500 over the personal exemption claimed under section 25 (b) by the member of the military or naval forces. If such member is married and living with his spouse on the last day of the taxable year, and his spouse is not a member of the military and naval forces, the amount of the exclusion is not to exceed the excess of \$3,500 over the personal exemption claimed by both the spouse and the member of the military or naval forces. Thus, if such member and his wife each claims a personal exemption of \$600 on separate returns, and his wife is not a member of the military or naval forces, the additional amount to be excluded in the case of such member is \$2,300, that is, the excess of \$3,500 over the combined personal exemption claimed by such member and his wife. Under this provision, the amount of such compensation which may be excluded from gross income in the case of a married person is the same regardless of whether joint or separate returns are filed and regardless of the property laws of any State.

The amendment would apply with respect to all compensation received after December 31, 1941, by a member of the military or naval forces of the United States for active service in such forces.

This provision is the same as section 7 of H. R. 2570 reported by the majority.

ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES IN YEAR OF DEATH

Supplement U relieves a member of the military or naval forces of the United States who dies in active service from the liability for the tax imposed by chapter 1 for the taxable year in which falls the date of his death. In addition thereto, the supplement provides that any tax imposed under chapter 1 or under the corresponding title of any prior revenue act, including interest and additions to the tax, which is unpaid as of the date of death shall not be assessed. If any such tax, interest, or additions to the tax have been assessed and are unpaid at the date of death, such assessment or assessments shall be abated. If the amount of any such liability which was unpaid as of the date of death is collected subsequent to such date, the amount so collected shall be credited or refunded as an overpayment. This amendment becomes effective with respect to such persons dying on or after December 7, 1941.

This provision is the same as section 8 of H. R. 2570.

CURRENT TAX PAYMENT ACT OF 1943

APRIL 30, 1943.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. DOUGHTON, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. R. 2570]

The Committee on Ways and Means, to whom was referred the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, having had the same under consideration, report it back to the House with the following amendments and, as so amended, recommend that the bill do pass.

The committee amendments are as follows:

In section 5 (b) of the bill strike out everything after the colon and insert:

One-third thereof on or before the fifteenth day of the twenty-seventh month following the beginning of such taxable year, one-third on or before the fifteenth day of the thirty-ninth month following the beginning of such taxable year, and one-third on or before the fifteenth day of the fifty-first month following the beginning of such taxable year.

In section 6 of the bill strike out paragraphs (1) and (2) and insert:

(1) an amount equal to 6 per centum of such tax if such tax is paid on or before the fifteenth day of the twenty-seventh month following the beginning of such taxable year, or

(2) an amount equal to 2 per centum of such tax if the first installment thereof is paid within the time prescribed in section 5 (b) and the last two installments are paid on or before the fifteenth day of the thirty-ninth month following the beginning of such taxable year.

GENERAL STATEMENT

Your committee has given the most careful consideration to problems involved in placing taxpayers upon a pay-as-you-go basis. After prolonged hearings and executive sessions a bill was reported to the House on March 19, 1943, which contained the following features:

(1) A withholding system with respect to salaries and wages, effective as of July 1, 1943.

(2) A voluntary advance-payment method of meeting tax obligations through the allowance of certain discounts in order to encourage taxpayers to become current.

When the original committee bill was before the House a substitute was offered by Mr. Carlson, the gentleman from Kansas, which provided for complete forgiveness of 1 year's taxes.

This substitute was defeated and in this respect the House completely vindicated the action of the committee in opposing total forgiveness of 1 year's taxes. After defeating the Ruml-Carlson bill, the House voted to recommit the committee bill. This action has been construed by the majority members as indicating that the committee bill, in the opinion of the House, did not go far enough toward placing taxpayers on a current basis. While the majority of your committee was opposed to any measure of forgiveness, it was also opposed to a complete doubling up of 2 years' taxes in 1 year, as this would result in a rather heavy burden upon the taxpayers. It is evident that any plan which would go further toward making all taxpayers current than the original committee bill will require some special treatment of the 1942 tax.

Faced with this problem, your committee has endeavored to work out a substitute which has the effect of relieving approximately one-half of the total individual tax liability for the year 1942 on the only basis which we feel such relief can be justified. After considering various proposals, your committee concluded that the fairest and most equitable way of accomplishing this purpose is to apply the 1941 rates and exemptions to the 1942 income instead of the 1942 rates and exemptions. The effect of this proposal is to remove the difference between the 1942 tax and the tax computed at 1941 rates and exemptions. In the opinion of the majority members of your committee, there is sound reason for granting such relief. The 1942 act, in lowering exemptions and increasing rates for the year 1942 imposed considerable hardship on many taxpayers who were unable to anticipate and prepare for this increased burden. Many taxpayers had not become fully adjusted to the high taxes needed by war conditions and had made no provision for the marked 1942 increases. While all taxpayers can now reasonably be expected to prepare for continuing increases in taxes so long as the war continues, it may well be that the public was not adequately prepared for the rates and exemptions in the 1942 act. Not only did this act increase the burden on the old taxpayers, but by lowering exemptions, it brought in over 7,000,000 new taxpayers. Therefore, it is believed equitable and just to grant taxpayers relief from such unforeseen increased or new tax burdens in making the transition to a pay-as-you-go system. By this method, the increases in the tax burden for 1942 are removed in the same manner and to the same degree as they were levied under the Revenue Act of 1942.

It will be remembered that the Revenue Act of 1942 raising rates and lowering exemptions was passed by the House by a vote of 395 ayes to 2 nays.

Under your committee bill, there will be no doubling up for more than 7,000,000 new taxpayers, and the old taxpayers, while forced to undergo some doubling up, will receive substantial reduction of their 1942 tax. These reductions for the great majority of taxpayers are such as to make the extent of the doubling up relatively slight. The

amount of forgiveness under this bill ranges from 100 percent in the lowest-income group to over 10 percent in the highest-income group. The ratio of forgiveness follows the ratio of increase imposed by the Revenue Act of 1942, which was highest on a percentage basis in the lowest brackets. This is demonstrated by tables 1 and 2, page 16. Under table 2, it is shown that a married man with an income of \$1,500 has 100 percent of his 1942 liability forgiven, while a married man with a \$5,000 income has over 52 percent of his 1942 tax forgiven; and a married man with an income of \$20,000 has 29 percent of his 1942 tax forgiven. The unforgiven 1942 liability is spread over a period of 3 years—that is, the first installment is due on March 15, 1944, the second installment on March 15, 1945, and the third installment on March 15, 1946. However, in order to prevent undue hardship, the Commissioner is authorized to extend the time for payment of any installment of the 1942 liability over a longer period, not to exceed 3 additional years, upon the payment of interest at the rate of 6 percent per annum.

Thus it will be seen that there will be no doubling up in the year 1943, and the committee feel that by not requiring payment of the first deferred installment until March 15, 1944, adequate time will be provided for taxpayers to prepare to meet this obligation.

In order to encourage taxpayers to liquidate their 1942 liability as quickly as possible, a discount is allowed. If the total amount of the unforgiven 1942 tax is paid on or before March 15, 1944, a 6-percent discount is allowed. If the first installment is paid on or before March 15, 1944, and the remaining two installments on or before March 15, 1945, a 2-percent discount is allowed. These discounts are computed upon the total amount of the unforgiven 1942 liability. Therefore, they have the effect of increasing the amount of the forgiveness of the 1942 tax. As shown by table 6, page 18, the amount of forgiveness in the case of a married man with a net income of \$5,000 is increased on account of the 6-percent discount by almost 3 percent if the unforgiven tax is paid on or before March 15, 1944, and by almost 5 percent in the case of a net income of \$100,000.

Tables 9 and 10, page 20, set forth the total burden caused by the doubling up of the current payment and the unforgiven 1942 tax. A few examples taken from table 10 will show the extent of the burden. A person with a \$1,500 income will have no doubling up and, therefore, will pay only his current liability (including gross Victory tax) of \$100.13. A married person with a net income of \$5,000 will pay an additional tax of \$119.20 a year for each year of the 3-year period, so that his total tax for each year of the 3-year period will be \$1,111.78 instead of \$992.58. A married man with a net income of \$10,000 will pay an additional tax of \$430.64 for each year of the 3-year period. The doubling up of the 1942 tax may cause the total 1942 and current tax to exceed 1 year's income in some of the higher brackets but it should be remembered that the tax is paid from 2 years' income, and that most of these taxpayers make provision for payment of taxes as the income is received. Moreover, the Commissioner has authority to extend the time for payment for 3 additional years, making 6 years in all.

Therefore, your committee believes that the bill now before the House is the most desirable solution of this difficult problem. It grants a greater percentage of forgiveness in the lower brackets where the transition to pay-as-you-go might entail a heavy burden.

Complete forgiveness provided under the Ruml-Carlson plan is most unfair, especially because, due to the high rates, it will be impossible to recapture the forgiven tax from the taxpayers in the higher brackets.

While under the committee bill there will be some doubling up over the 3-year period, it is believed that this is justifiable because of the great need at the present time for increased revenue. In the President's Budget message we were requested to raise an additional \$16,000,000,000 in revenue. It is estimated that for the fiscal year 1944 the bill will increase revenue receipts by approximately \$3,000,000,000. It is estimated that your committee plan will bring in \$5,400,000,000 more than the Ruml-Carlson bill, which forgives approximately \$10,000,000,000 of 1942 taxes. Your committee was of the opinion that only so much of the 1942 tax should be canceled as would permit the taxpayers to make the transition to a pay-as-you-go system without undue hardship. Our criticism of the Ruml plan was fully set forth in our original committee report. The Carlson-Ruml substitute, while modifying this plan to a slight extent, with so-called antiwindfall provisions, still clings to the basic evil of completely forgiving all taxpayers 1 year's taxes. No antiwindfall provisions can ever eliminate this fundamental fault of such a system. Moreover, by using the year 1941 as the yardstick for determining normal profits, the Carlson-Ruml plan does not prevent a windfall to war contractors or others, who in 1941 benefited enormously out of the war.

The following discussion of the evils of the Ruml plan is taken from our original report:

THE RUML PLAN

A plan which was very vigorously proposed before your committee was that sponsored by Mr. Beardsley Ruml. Because of the emphasis which was placed on it and the extensive consideration given to it by the committee, we wish to indicate the compelling reasons which led us to discard the plan.

The central idea of the Ruml plan is to place taxpayers on a current payment basis by forgiving 1 year's taxes. Thus, a taxpayer under existing law would pay 1942 taxes in 1943. Mr. Ruml proposes that 1942 taxes be forgiven and that payments made in 1943 be credited to liabilities on 1943 income.

It was this provision to forgive a whole year's tax which made the Ruml plan particularly objectionable, as it must be recognized that the taxpayer under the Ruml plan receives 2 years of income and pays taxes only in respect of 1 year's income.

(a) *Revenue needs.*—The Government's expenditures are at an unprecedented level, and further increases are scheduled. In his Budget message the President asked for modifications of the revenue system to increase the yield in the coming fiscal year by \$16,000,000,000. In view of this stupendous revenue request your committee felt that it could not assume responsibility for recommending cancellation of \$10,000,000,000 of liability already imposed.

(b) *Inequity.*—Your committee is impressed by the fact that complete cancellation of taxes on 1942 incomes would constitute gross violation of the principle of ability to pay. The benefit would be distributed in inverse ratio to need. Cancellation would bestow the greatest benefit on those best able to make economic sacrifices and the smallest

benefit on those least able to make such sacrifices. About 60 taxpayers with \$1,000,000 incomes would each receive a benefit of at least \$854,000. At one stroke the Rumml plan would add to their wealth more than they could save in 6 years if they saved every cent of their income after taxes. The benefit to taxpayers with a \$100,000 net income would be about \$64,000 each; to those with \$10,000 income, about \$2,150 (table A), p. 5). Those who had no taxable income in 1942 would receive no benefit at all.

Complete forgiveness would wipe out a large part of the tax increases imposed to finance the war. At the \$100,000 level the amount forgiven would equal 102 percent of these tax increases, and at the \$1,000,000 level, 320 percent (table B, p. 6).

In effect the plan would force a shift of part of the tax burden from the few at the upper end of the income scale to the many at the middle and lower end. To meet the revenue needs outlined above, tax collections must be increased substantially. As already indicated, if we are able to collect during the coming fiscal year more than the liability on 1 year's income, we can meet our goal without as great an increase in rates as would otherwise be necessary. However, if taxes on 1942 incomes are completely canceled the needed revenue can only be obtained by raising existing rates on the incomes of 1943 and subsequent years, which must necessarily fall on the lower or middle income groups, or by securing revenue from other sources. It is on these incomes that the increase would have to be concentrated.

TABLE A.—*Amount of taxes forgiven as a percent of annual net income after taxes, if 1942 tax liability is forgiven, at selected levels of net income*

MARRIED PERSON—NO DEPENDENTS

Net income before personal exemption	Amount of tax ¹ (excluding Victory tax)	Net income after tax	Tax forgiven as a percent of net income after tax	Net income before personal exemption	Amount of tax ¹ (excluding Victory tax)	Net income after tax	Tax forgiven as a percent of net income after tax
\$5,000.....	746	4,254	12.5	\$50,000.....	25,328	24,672	102.7
\$10,000.....	2,152	7,848	27.4	\$100,000.....	64,060	35,940	178.2
\$15,000.....	\$4,052	\$10,948	37.0	\$500,000.....	414,000	86,000	481.4
\$20,000.....	6,452	13,548	47.6	\$1,000,000.....	854,000	146,000	584.9
\$25,000.....	9,220	15,780	58.4	\$5,000,000.....	4,374,000	626,000	698.7

¹ Revenue Act of 1942, assuming maximum earned income credit and no net long-term capital gains.

TABLE B.—*Tax liability for the period 1938-42 if 1942 tax liability is forgiven compared with tax liability computed without certain tax increases after 1935, a selected levels of net income*

MARRIED PERSON—NO DEPENDENTS

	Income tax liability on selected net income ¹				
	\$5,000	\$10,000	\$25,000	\$100,000	\$1,000,000
1. Actual tax liability for income years 1938-42:					
Taxable year—					
1938.....	\$80	\$415	\$2,489	\$32,469	\$679.04
1939.....	80	415	2,489	32,469	679.04
1940.....	110	528	3,843	43,476	717.58
1941.....	375	1,305	6,864	52,704	732.55
1942.....	746	2,152	9,220	64,000	854.00
Total.....	1,391	4,815	24,905	225,178	3,662.22
2. Total tax liability 1938-42 if the 1942 liability is forgiven.....	645	2,663	15,685	161,118	2,808.22
3. Total tax liability 1938-42 assuming no tax increases under Revenue Acts of:					
A. 1942.....	1,020	3,968	22,549	213,822	3,540.78
B. 1941 and 1942.....	490	2,414	16,507	195,366	3,510.84
C. 1940, 1941, and 1942.....	400	2,075	12,445	162,345	3,395.22
D. 1936, 1940, 1941, and 1942.....	400	2,075	12,445	152,970	2,856.97
4. Cumulative increase in tax liability: A. Under Revenue Acts of 1940-42.....	991	2,740	12,460	62,833	267.00
B. Under Revenue Acts of 1936-42.....	991	2,740	12,460	72,208	805.25
5. Tax liability forgiven (1942 taxes) as a percent of:					
A. Increase in tax, Revenue Acts of 1940-42.....	75.3	78.5	74.0	102.0	319.1
B. Increase in tax, Revenue Acts of 1936-42.....	75.3	78.5	74.0	88.7	106.1

¹ Net income before personal exemption, assuming maximum earned income credit and no net long-term capital gains.

The inequity of tax cancelation would consist not only of the shift of tax burdens from those in the upper to those in the lower income groups; it would also shift tax burdens from old taxpayers to new taxpayers. Only those with taxable incomes in 1942 would benefit from cancelation under the Ruml plan, but all who receive taxable incomes after 1942 would bear the burden of tax increases. Since 1942 was a year of high national income and many persons, such as war contractors, realized high profits, directly attributable to the war, the cancelation of 1942 taxes would have the effect of exempting war profits from their just share of taxation.

GENERAL DISCUSSION OF BILL

For the purpose of this discussion, the bill may be divided into the following parts:

Part I. Current Payment of Individual Income Taxes for 1943 and Subsequent Years.

Part II. Treatment of 1942 Taxes.

Part III. Soldiers' and Sailors' Relief.

PART I. CURRENT PAYMENT OF INDIVIDUAL INCOME TAXES

In our committee there was no disagreement as to the methods for placing taxpayers upon a current basis. The method adopted in the bill to accomplish this purpose is substantially the same as that recommended to the full committee by a subcommittee of the com-

mittee designated to study this problem and report back to the full committee. The subject may be divided under two headings:

- (a) Withholding as to wages and salaries.
- (b) Current payment of tax not collected at the source.

The withholding provisions will be first discussed and then the methods of collecting currently taxes not withheld at the source.

(A) WITHHOLDING AS TO WAGES AND SALARIES

The withholding provisions of the bill are substantially identical with the recommitted committee bill, H. R. 2218, and the rejected Ruml-Carlson substitute. The only change from the original committee bill is that the tax collected at the source is allowed as a credit against the tax imposed for the current year instead of as a credit against the tax for the prior year. For example, under the original committee bill, the amount collected at the source after July 1, 1943, would be applied against the unpaid tax for the year 1942. Under the pending bill, the tax withheld at the source in 1943 will be credited against the 1943 tax instead of the 1942 tax. The explanation of the withholding provisions of this bill, therefore, follows in general the explanation given in the report accompanying H. R. 2218, the original committee bill on this subject. This explanation is as follows:

Under the bill, a new withholding system will be inaugurated as of July 1, 1943, with respect to wages and salaries only. For the purpose of this discussion, the system will be explained with reference to the following taxpayers:

(1) *Taxpayers subject only to the Victory tax.*

In the case of taxpayers subject only to the Victory tax, the withholding will be at the rate of 3 percent of the gross wages in excess of \$624 per year. The 3-percent rate was adopted to eliminate many of the refunds which might have to be made in the next year when the taxpayer files his final return and takes credit against his Victory tax for the amount of the tax withheld. Since under the present law the taxpayer is entitled to certain current credits against his 5-percent Victory tax for debt repayment, insurance premiums, and purchase of Government bonds, if he takes advantage of this credit there would be additional refunds required under a withholding at a 5-percent rate. By withholding on a net basis of 3 percent, many of the refunds and adjustments will be eliminated.

(2) *Taxpayers subject both to the income tax and the Victory tax.*

In the case of taxpayers subject both to the income tax and the Victory tax, withholding will be at a rate of 20 percent. Of this 20 percent, 3 percent will cover the Victory tax and 17 percent will cover the general income tax.

The 3-percent rate will apply to the wages and salaries above \$624, and the 17-percent rate will apply to the wages and salaries above the regular income-tax exemptions and credits for dependents plus 10 percent of the amount of such exemptions and credits to allow for deductions. The amount to be withheld under the Victory tax and

general income tax will be combined into a single amount to be deducted from each wage payment through the use of tables incorporated in the law. In determining the amount of tax to be withheld the employer may use the tables or the actual computation method.

(3) *Taxpayers subject only to the income tax.*

There will be some single taxpayers whose wages and salaries are between \$552 and \$624. On that part of their wage or salary above \$552, withholding will be required at the rate of 17 percent.

COMPENSATION EXEMPT FROM WITHHOLDING

The following compensation is not subject to withholding at the source:

(1) Services performed as a member of the military or naval forces of the United States, other than pensions and retired pay included in gross income.

(2) Agricultural labor (as defined in the Social Security Act).

(3) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority.

(4) Casual labor not in the course of the employer's trade or business.

(5) Services by a citizen or resident of the United States for a foreign government or for the government of the Commonwealth of the Philippines.

(6) Services performed by a nonresident alien individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals, or for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary.

(7) Services for an employer performed by a citizen or resident of the United States while outside the United States (as defined in sec. 3797(a)(9)) if the major part of the services for such employer during the calendar year is to be performed outside the United States. Services performed on or in connection with an American vessel under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration, shall not constitute services performed outside the United States.

(8) Services performed as a minister of the gospel.

Your committee was of the opinion that compensation received for services performed by a minister of the gospel should be exempt from the withholding tax. This will relieve a great many churches from the requirement of withholding, as the minister in many instances is the only person who receives compensation subject to withholding. In the case of other persons employed by the church, if they receive sufficient compensation to come within the withholding provisions, it is believed that the church in retaining the proper portion of the

employee's wages and turning it over to the Government will be performing a real service to the employee, not only in making it easier for him to pay his tax to the Government but also in assisting him by providing a check on the rising cost of living.

PERSONS REQUIRED TO WITHHOLD

Every employer from whom an individual receives wages as the employee of such person is required to withhold and deduct the amount required to be withheld. However, in certain cases if the wages are paid by a person other than the person for whom the services are or were performed, the person paying the wages may be treated as the employer for this purpose. For example, pensions paid by the fiduciaries of certain pension trusts to retired employees under a pension plan.

METHOD OF WITHHOLDING

The employer will start deducting from salaries and wages under the bill as of July 1, 1943. Since the deduction is based upon the employee's current rate of pay, taking into account the personal exemption and credit for dependents, plus a 10 percent increase of such personal exemption and credit for dependents, it is necessary for the employee to inform the employer of his personal status and the number of his dependents, so the employer can determine the amount of tax to be withheld. The bill requires that this information be furnished by the employee to the employer through a signed withholding exemption certificate. The certificate is to be in such a form as may be prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury.

EXPLANATION OF WITHHOLDING TABLES

As already stated, the amounts withheld under both the ordinary income tax and the Victory tax are combined in a single amount to be deducted from each wage payment through the use of tables. The employer who uses these tables can determine the amount to be deducted from his employees' wage check without being required to make precise computations. There are 25 tables set out in the law, covering daily, weekly, biweekly, semimonthly, and monthly payments. The tax is computed according to the status of the taxpayer, that is, whether he is single, married, the head of a family, or has dependents. For the purpose of illustration, the following table taken from page 11 of the bill is set forth below:

If the payroll period with respect to an employee is weekly—

And the wages are—		And such person is a married person claiming all of personal exemption for withholding and has—					
At least	But less than	No dependents	1 dependent	2 dependents	3 dependents	4 dependents	5 dependents
The amount to be withheld shall be—							
\$0	\$10						
10	15						
15	20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	.30	.30	.30	.30	.30	.30
25	30	.70	.50	.50	.50	.50	.50
30	40	2.20	.90	.70	.70	.70	.70
40	50	4.20	2.90	1.50	1.00	1.00	1.00
50	60	6.20	4.90	3.50	2.10	1.30	1.30
60	70	8.20	6.90	5.50	4.10	2.80	1.60
70	80	10.20	8.90	7.50	6.10	4.80	3.40
80	90	12.20	10.90	9.50	8.10	6.80	5.40
90	100	14.20	12.90	11.50	10.10	8.80	7.40
100	110	16.20	14.90	13.50	12.10	10.80	9.40
110	120	18.20	16.90	15.50	14.10	12.80	11.40
120	130	20.20	18.90	17.50	16.10	14.80	13.40
130	140	22.20	20.90	19.50	18.10	16.80	15.40
140	150	24.20	22.90	21.50	20.10	18.80	17.40
150	160	26.20	24.90	23.50	22.10	20.80	19.40
160	170	28.20	26.90	25.50	24.10	22.80	21.40
170	180	30.20	28.90	27.50	26.10	24.80	23.40
180	190	32.20	30.90	29.50	28.10	26.80	25.40
190	200	34.20	32.90	31.50	30.10	28.80	27.40
200 or over-----		20% of the excess over \$200 plus					
		\$35.20	\$33.90	\$32.50	\$31.10	\$29.80	\$28.40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

The operation of the table is shown by the following example:

Assume that John Smith earned a wage of \$75 per week and that he has filed with his employer a certificate claiming the full personal exemption allowed a married man without dependents. By looking at the first two columns of the table, we find that his wage falls in the columns where the wages are at least \$70 but less than \$80. Under the third column, opposite the "\$70 but less than \$80" group, we find the figure \$10.20. This is the amount the employer must deduct each week from his employee's pay check and turn over to the Government. If such employee had one dependent and proper certificate of exemption were filed, the employer would deduct \$8.90 from his pay check. This is the amount in the fourth column opposite the "\$70 to \$80" group.

The formula in the note is explained by the following:

If John Smith has seven dependents and proper certificate of exemption is filed, the employer will compute the amount to be withheld in accordance with the formula supplied at the bottom of the table. According to such formula, the employer determines that, subject to the minimum withholding, the amount to be withheld is the amount applicable in the case of five dependents (namely, \$3.40),

minus \$1.35 for each dependent over five. Since there are two dependents over five, the subtraction will be \$2.70 (two times \$1.35), leaving 70 cents as the tentative amount to be withheld. Under the formula, however, the employer is told that in no event shall he withhold less than 3 percent of the excess of the median wage in the bracket in which the wages paid fall over \$12, computed to the nearest multiple of 10 cents. The median wage in the bracket in question is \$75 (being the wage half-way between \$70 and \$80) and the excess of this median wage over \$12 is \$63. Three percent of \$63 is \$1.89, and the multiple of 10 cents nearest this amount to be withheld will be \$1.90. Hence the amount to be withheld will be \$1.90.

The application of the formula appearing at the bottom of the table has been worked out in detail in the example above. From that example it is apparent that a man with seven dependents receiving wages in any bracket will have the same amount withheld as another man with seven dependents receiving wages falling in the same bracket. Thus, the formula is merely a formula for extending the table in the case of dependents over five in number.

EMPLOYERS' RETURNS

The employer is required to make quarterly returns and pay over the tax withheld from his employees in each quarter on or before the last day of the month following the close of the quarter.

RECEIPTS

The employer is required to furnish to each employee with respect to his employment during the calendar year a written statement showing the wages paid during such calendar year and the amount of tax withheld with respect to such wages. If the employee's services are terminated before the close of the calendar year, the receipt is required to be furnished on the day on which the last payment of wages is made, except that an extension of 30 days may be granted by the Commissioner. The employer is required to attach copies of these receipts to the final quarterly return so that they may be checked against the returns filed by the individual wage earners.

(B) CURRENT PAYMENT OF TAX NOT COLLECTED AT SOURCE

Your committee found it impracticable to apply the withholding provisions to income other than wages as defined in the bill. Therefore, taxpayers receiving income from business, farming, rents and royalties, interest and dividends, wages received for domestic service in a private home, and wages received from agricultural labor, are not included in the withholding provisions of the bill.

There are also some taxpayers who, although subject to withholding, receive salaries above the Victory tax, normal tax, and first surtax bracket rate. It is necessary, therefore, that some system other than withholding be devised to make such taxpayers current.

Your committee has, therefore, placed these taxpayers upon a pay-as-you-go basis by requiring them to estimate their tax for the current year and pay such estimated tax within the year. Accordingly, a taxpayer is required to prepare and file a declaration estimating

his tax for the current year if his gross income is above the following amounts:

Single person.—(1) If his gross income from wages exceeded \$2,700 for the preceding year, or is reasonably expected to exceed \$2,700 for the taxable year; or

(2) If his gross income for the preceding year exceeded \$500 and more than \$100 thereof was from sources other than wages; or

(3) If it can reasonably be expected that his gross income for the taxable year will exceed \$500 and more than \$100 thereof will be from nonwage sources.

Married person.—(1) If the aggregate gross income of husband and wife from wages exceeded \$3,500 for the preceding year or is reasonably expected to exceed \$3,500 for the taxable year; or

(2) If the aggregate gross income of husband and wife for the preceding year exceeded \$1,200 and more than \$100 thereof was from nonwage sources; or

(3) If the aggregate gross income of husband and wife for the taxable year can reasonably be expected to exceed \$1,200 and more than \$100 thereof will be from nonwage sources.

Since persons receiving wages of not more than \$2,700, if single, and \$3,500, if married, will have substantially the full tax liability discharged by collection at the source, the requirements for filing a declaration have been so fixed as to make it unnecessary for such taxpayers to make declaration of estimated tax except in those cases where their income from sources other than wages is more than a nominal amount (\$100). This will make it unnecessary for about 70 percent of the taxpayers to file declarations, thus leaving only 30 percent or 14,000,000 out of 44,000,000 taxpayers who will have to make a declaration of estimated tax.

If husband and wife make a joint declaration, but do not make a joint return for the taxable year, the amounts paid on account of the estimated tax for such year may be treated as payments on account of the tax liability of either husband or wife for the taxable year, or may be divided between them in any manner they see fit.

In determining whether a person is single or married, it is necessary to consider his status at the time the declaration is required to be made.

TIME FOR FILING DECLARATION AND PAYMENT OF THE ESTIMATED TAX

Every individual whose income exceeds the amounts specified above will be required to file his estimate (except in the case of farmers and individuals on a fiscal-year basis) on or before March 15 of the current taxable year. Therefore, an individual declaring his estimated tax for the calendar year 1944 will be required to file his declaration of his estimated tax on or before March 15, 1944. This estimate may be revised at the election of the taxpayer and, if so revised, an amended declaration must be filed on or before June 15, September 15, or December 15, respectively.

The declaration must be filed with the collector of internal revenue for the taxpayer's district.

The tax must be paid in four equal installments. The first installment will be paid in the case of a calendar year taxpayer on March 15, the second installment on June 15, the third installment on September

15, and the fourth installment on December 15 of the current taxable year. However, the taxpayer may elect to pay his estimated tax in advance if he desires to do so. If he files an amended declaration, the remaining installments will be increased or decreased, as the case may be, to reflect the change in the estimate. For example, suppose a taxpayer filed a declaration of the estimated tax for the calendar year 1944 in the amount of \$600. An installment of \$150 is paid at the time of filing the return. On June 15, 1944, he filed an amended declaration disclosing an estimated tax for the taxable year of \$300 instead of \$600 as originally estimated. As a result of the revised estimate, his next three installment payments will each be \$50.

CONTENTS OF THE DECLARATION

The declaration shall state the following:

- (1) An estimate of the individual's income tax and Victory tax after current insurance, debt, and bond credits for the taxable year, without any deduction for amounts withheld at the source.
- (2) An estimate of the amounts withheld at the source.
- (3) The difference remaining, which is called the estimated tax.

FINAL RETURN

The final return will be filed as at present on or before the 15th day of the third month following the close of the taxable year. On this return, adjustments will be made for differences between the estimated or withheld tax, and the correct tax reported by the taxpayer. In the case of the calendar year 1944, the final return will be filed on March 15, 1945.

RULE AS TO FARMERS

A special rule applies to farmers. If the gross income of an individual from farming for the taxable year is at least 80 percent of the total estimated gross income from all sources, such an individual may file a declaration of the estimated tax at any time on or before December 15 of the taxable year if the taxpayer is on a calendar-year basis.

ADDITIONS TO THE TAX AND PENALTIES

If the estimated tax is less than 80 percent (66½ percent in the case of farmers) of the final tax liability, 6 percent of the amount by which 80 percent of the actual tax exceeds the estimated tax is added to the tax. For failure to file a declaration of the estimated tax within the time prescribed by law, there is added to the tax \$10, or an amount equal to 10 percent of the tax, whichever is greater. If any installment of the estimated tax is not paid when due, there is added to the tax \$2.50, or 2½ percent of the tax, whichever is greater, for each installment with respect to which such failure occurs. Other penalties are imposed for willful failure to file a declaration or pay the estimated tax.

FISCAL YEARS

Fiscal-year taxpayers are required to file declarations of their estimated income on or before the 15th day of the third month of the current taxable year. Thus, if a taxpayer had a fiscal year beginning April 1, 1944, and ending March 31, 1945, he would file a declaration of his estimated tax for such fiscal year on June 15, 1944. His estimated tax would be paid in four equal installments, that is, on June 15, 1944, September 15, 1944, December 15, 1944, and March 15, 1945, respectively. Fiscal-year taxpayers are also permitted to amend their estimate and make adjustments in their estimated tax, if they desire to do so.

SPECIAL RULE FOR 1943

With respect to the year 1943, the withholding provisions will go into operation as of July 1. Since most taxpayers have already filed their 1942 returns on March 15, their payments on March 15 and June 15, 1943, will be treated as payments in respect of their 1943 tax liability. Taxpayers on the calendar year basis who are required to file declarations of their estimated tax, will file their first declaration for 1943 on September 15, and their payments made in March and June will be treated as payments of their estimated 1943 tax. An amended declaration may be filed on December 15, if the taxpayer desires to amend his estimate. A farmer on the calendar-year basis, meeting the definition of the law, may make his declaration of his estimated tax for 1943 on or before December 15 and pay the estimated tax due.

PART II. TREATMENT OF 1942 TAX

The majority and minority members of the committee are in disagreement only as to the amount of the 1942 liability to be forgiven. Since the bill treats the payments made in 1943 in respect of the year 1942 as 1943 payments, it follows that the liability for 1942 is still outstanding. However, these liabilities are reduced by the approximate difference between the 1942 tax and the tax computed at 1941 rates and exemptions. To avoid administrative difficulties, the tax liabilities are reduced in accordance with a schedule which permits the Bureau of Internal Revenue to apply the reduction to tax shown on the assessment list thereby making it unnecessary to examine the individual return. The unforgiven part of the 1942 liability is spread over a period of 3 years. The first installment or one-third of the unforgiven tax is due on or before March 15, 1944, the second installment on or before March 15, 1945, and the third installment on or before March 15, 1946. If the entire amount of the revised 1942 tax is paid by March 15, 1944, a discount of 6 percent of the revised tax is allowed. If one-third is paid by March 15, 1944, and the balance by March 15, 1945, a discount of 2 percent is allowed. In hardship cases, the Commissioner may further extend the payment of any installment of the 1942 revised tax for an additional period of not to exceed 3 years. Interest at the rate of 6 percent per annum is chargeable during the period of the extension.

The schedule for determining the reduced 1942 tax is as follows:

If the tax for 1942 is—

More than—	But not more than—	The revised tax shall be—
\$0.	\$60.	\$0.
\$60.	\$600.	50 percent of excess over \$60.
\$600.	\$1,000.	\$270, plus 60 percent of excess over \$600.
\$1,000.	\$1,400.	\$510, plus 65 percent of excess over \$1,000.
\$1,400.	\$2,000.	\$770, plus 69 percent of excess over \$1,400.
\$2,000.	\$2,500.	\$1,184, plus 71 percent of excess over \$2,000.
\$2,500.	\$3,000.	\$1,539, plus 73 percent of excess over \$2,500.
\$3,000.	\$3,500.	\$1,904, plus 75 percent of excess over \$3,000.
\$3,500.	\$4,000.	\$2,279, plus 77 percent of excess over \$3,500.
\$4,000.	\$6,000.	\$2,664, plus 78 percent of excess over \$4,000.
\$6,000.	\$7,000.	\$4,224, plus 79 percent of excess over \$6,000.
\$7,000.	\$8,000.	\$5,014, plus 81 percent of excess over \$7,000.
\$8,000.	\$10,000.	\$5,824, plus 82 percent of excess over \$8,000.
\$10,000.	\$15,000.	\$7,464, plus 83 percent of excess over \$10,000.
\$15,000.	\$30,000.	\$11,614, plus 85 percent of excess over \$15,000.
\$30,000.	\$45,000.	\$24,364, plus 84 percent of excess over \$30,000.
\$45,000.	\$60,000.	\$36,964, plus 83 percent of excess over \$45,000.
\$60,000.	\$130,000.	\$49,414, plus 81 percent of excess over \$60,000.
\$130,000.	\$160,000.	\$106,114, plus 80 percent of excess over \$130,000.
\$160,000.	\$200,000.	\$130,114, plus 82 percent of excess over \$160,000.
\$200,000.	\$240,000.	\$162,914, plus 83 percent of excess over \$200,000.
\$240,000.	\$255,000.	\$196,114, plus 84 percent of excess over \$240,000.
\$255,000.	\$290,000.	\$208,714, plus 85 percent of excess over \$255,000.
\$290,000.	\$385,000.	\$238,464, plus 86 percent of excess over \$290,000.
\$385,000.	\$525,000.	\$320,164, plus 87 percent of excess over \$385,000.
\$525,000.	\$715,000.	\$441,964, plus 88 percent of excess over \$525,000.
\$715,000.	\$1,055,000.	\$609,164, plus 89 percent of excess over \$715,000.
\$1,055,000.	\$2,150,000.	\$911,764, plus 90 percent of excess over \$1,055,000.
\$2,150,000.	\$4,200,000.	\$1,897,264, plus 91 percent of excess over \$2,150,000.
\$4,200,000.	\$4,500,000.	\$3,762,764, plus 92 percent of excess over \$4,200,000.
\$4,500,000.		\$4,038,764, plus 92.05 percent of excess over \$4,500,000.

The following examples illustrate the operation of the above formula: If the 1942 tax shown on the assessment list is \$100, the revised tax would be \$20, or 50 percent of the excess of \$100 over \$60. If the 1942 tax is \$2,152, the revised tax would be \$1,291.92, or the sum of \$1,184 plus 71 percent of \$152. If the 1942 tax is \$854,000, the revised tax would be \$732,874, or \$609,164 plus 89 percent of \$139,000.

It will not be necessary for taxpayers to use or to consult the formula for computing the revised tax for 1942. The Bureau of Internal Revenue will compute the revised tax in accordance with the formula and forward a statement of account in advance of the date when the first installment of the revised 1942 tax becomes payable.

Table 1 shows the amount and percent of 1942 tax forgiven in the case of a single person.

TABLE 1.—*Single person, no dependents—Amount and percent of 1942 tax forgiven under H. R. 2570*

Net income before personal exemption	1942 tax under existing law	1942 tax under H. R. 2570	Amount of 1942 tax forgiven	Percent of 1942 tax forgiven
\$500.....				
\$600.....	\$15. 40		\$15. 40	100. 00
\$750.....	43. 00		43. 00	100. 00
\$800.....	52. 20		52. 20	100. 00
\$1,000.....	89. 00	\$14. 50	74. 50	83. 71
\$1,200.....	125. 80	32. 90	92. 90	73. 85
\$1,500.....	181. 00	60. 50	120. 50	66. 57
\$1,800.....	236. 20	88. 10	148. 10	62. 70
\$2,000.....	273. 00	106. 50	166. 50	60. 99
\$2,500.....	365. 00	152. 50	212. 50	58. 22
\$3,000.....	472. 00	206. 00	266. 00	56. 36
\$5,000.....	920. 00	462. 00	458. 00	49. 78
\$10,000.....	2,390. 00	1,460. 90	929. 10	38. 87
\$15,000.....	4,366. 00	2,949. 48	1,416. 52	32. 44
\$20,000.....	6,816. 00	4,868. 64	1,947. 36	28. 57
\$25,000.....	9,626. 00	7,157. 32	2,468. 68	25. 65
\$50,000.....	25,811. 00	20,803. 35	5,007. 65	19. 40
\$100,000.....	64,641. 00	53,173. 21	11,467. 79	17. 74
\$250,000.....	194,616. 00	158,499. 12	36,116. 88	18. 56
\$500,000.....	414,616. 00	345,929. 92	68,686. 08	16. 57
\$1,000,000.....	854,616. 00	733,422. 24	121,193. 76	14. 18
\$2,000,000.....	1,734,616. 00	1,523,418. 40	211,197. 60	12. 18
\$5,000,000.....	4,374,616. 00	3,923,410. 72	451,205. 28	10. 31

Table 2 shows the amount and percent of 1942 tax forgiven in the case of a married person with no dependents.

TABLE 2.—*Married person, no dependents—Amount and percent of 1942 tax forgiven under H. R. 2570*

Net income before personal exemption	1942 tax under existing law	1942 tax under H. R. 2570	Amount of 1942 tax forgiven	Percent of 1942 tax forgiven
\$1,200.....				
\$1,500.....	\$48. 00		\$48. 00	100. 00
\$1,800.....	103. 20	\$21. 60	81. 60	79. 07
\$2,000.....	140. 00	40. 00	100. 00	71. 43
\$2,500.....	232. 00	86. 00	146. 00	62. 93
\$3,200.....	350. 80	150. 40	210. 40	58. 31
\$3,300.....	382. 20	161. 10	221. 10	57. 85
\$5,000.....	746. 00	357. 60	388. 40	52. 06
\$10,000.....	2,152. 00	1,291. 92	860. 08	39. 97
\$15,000.....	4,052. 00	2,704. 56	1,347. 44	33. 25
\$20,000.....	6,452. 00	4,581. 08	1,870. 92	29. 00
\$25,000.....	9,220. 00	6,824. 40	2,395. 60	25. 98
\$50,000.....	25,328. 00	20,392. 80	4,935. 20	19. 49
\$100,000.....	64,060. 00	52,702. 60	11,357. 40	17. 73
\$250,000.....	194,000. 00	157,994. 00	36,006. 00	18. 56
\$500,000.....	414,000. 00	345,394. 00	68,606. 00	16. 57
\$1,000,000.....	854,000. 00	732,874. 00	121,126. 00	14. 18
\$2,000,000.....	1,734,000. 00	1,522,864. 00	211,136. 00	12. 18
\$5,000,000.....	4,374,000. 00	3,922,844. 00	451,156. 00	10. 31

Table 3 shows the amount of discount allowed in the case of a single person.

TABLE 3.—*Single person, no dependents—Amount of discount of unforgiven 1942 tax allowed under H. R. 2570*

Net income before personal exemption	Unforgiven 1942 tax	Discount allowed		Net income before personal exemption	Unforgiven 1942 tax	Discount allowed	
		If paid on or before Mar. 15, 1944 (6 percent)	If paid on or before Mar. 15, 1945 (2 percent)			If paid on or before Mar. 15, 1944 (6 percent)	If paid on or before Mar. 15, 1945 (2 percent)
\$500.....				\$10,000.....	\$1,460.90	\$87.65	\$29.22
\$600.....				\$15,000.....	2,949.48	176.97	58.99
\$750.....				\$20,000.....	4,868.64	292.12	97.37
\$800.....				\$25,000.....	7,157.32	429.44	143.15
\$1,000.....	\$14.50	\$0.87	\$0.29	\$50,000.....	20,803.35	1,248.20	416.07
\$1,200.....	32.90	1.97	.66	\$100,000.....	53,173.21	3,190.39	1,063.46
\$1,500.....	60.50	3.63	1.21	\$250,000.....	158,499.12	9,509.95	3,169.98
\$1,800.....	88.10	5.29	1.76	\$500,000.....	345,929.92	20,755.80	6,918.60
\$2,000.....	106.50	6.39	2.13	\$1,000,000.....	733,422.24	44,005.33	14,668.44
\$2,500.....	152.50	9.15	3.05	\$2,000,000.....	1,523,418.40	91,405.10	30,468.37
\$3,000.....	206.00	12.36	4.12	\$5,000,000.....	3,923,410.72	235,404.64	78,468.21
\$5,000.....	462.00	27.72	9.24				

Table 4 shows the amount of discount in the case of a married person with no dependents.

TABLE 4.—*Married person, no dependents—Amount of discount of unforgiven 1942 tax allowed under H. R. 2570*

Net income before personal exemption	Unforgiven 1942 tax	Discount allowed		Net income before personal exemption	Unforgiven 1942 tax	Discount allowed	
		If paid on or before Mar. 15, 1944 (6 percent)	If paid on or before Mar. 15, 1945 (2 percent)			If paid on or before Mar. 15, 1944 (6 percent)	If paid on or before Mar. 15, 1945 (2 percent)
\$1,200.....				\$20,000.....	\$4,541.08	\$274.86	\$91.62
\$1,500.....				\$25,000.....	6,824.40	409.46	136.49
\$1,800.....	\$21.60	\$1.30	\$0.43	\$50,000.....	20,392.80	1,223.57	407.86
\$2,000.....	40.00	2.40	.80	\$100,000.....	52,702.60	3,162.16	1,054.05
\$2,500.....	86.00	5.16	1.72	\$250,000.....	157,994.00	9,479.64	3,159.88
\$3,200.....	150.40	9.02	3.01	\$500,000.....	345,394.00	20,723.64	6,907.88
\$3,300.....	161.10	9.67	3.22	\$1,000,000.....	732,874.00	43,972.44	14,657.48
\$5,000.....	357.60	21.46	7.15	\$2,000,000.....	1,522,864.00	91,371.84	30,457.28
\$10,000.....	1,291.92	77.52	25.84	\$5,000,000.....	3,922,844.00	235,370.64	78,456.88
\$15,000.....	2,704.56	162.27	54.09				

Table 5 shows the total amount and percent of forgiveness and discount in the case of a single person.

TABLE 5.—Single person, no dependents—Total amount and percent of forgiveness and discount under H. R. 2570

Net income before personal exemption	1942 tax under existing law	1942 tax forgiveness and discount					
		Amount			Percent		
		If paid on or before Mar. 15, 1944	If paid on or before Mar. 15, 1945	If not paid on or before Mar. 15, 1945	If paid on or before Mar. 15, 1944	If paid on or before Mar. 15, 1945	If not paid on or before Mar. 15, 1945
\$500.....							
\$600.....	\$15.40	\$15.40	\$15.40	\$15.40	100.00	100.00	100.00
\$750.....	43.00	43.00	43.00	43.00	100.00	100.00	100.00
\$800.....	52.20	52.20	52.20	52.20	100.00	100.00	100.00
\$1,000.....	89.00	75.37	74.79	74.50	84.69	84.03	83.71
\$1,200.....	125.80	94.87	93.56	92.90	75.41	74.37	73.55
\$1,500.....	181.00	124.13	121.71	120.50	68.58	67.24	66.57
\$1,800.....	236.20	153.39	149.86	148.10	64.94	63.45	62.70
\$2,000.....	273.00	172.89	168.63	166.50	63.33	61.77	60.99
\$2,500.....	365.00	221.65	215.55	212.50	60.73	59.05	58.22
\$3,000.....	472.00	278.36	270.12	266.00	58.97	57.23	56.36
\$5,000.....	920.00	485.72	467.24	458.00	52.80	50.79	49.78
\$10,000.....	2,390.00	1,016.75	958.32	929.10	42.54	40.10	38.87
\$15,000.....	4,366.00	1,593.49	1,475.51	1,416.52	36.50	33.80	32.44
\$20,000.....	6,816.00	2,239.48	2,044.73	1,947.36	32.86	30.00	28.57
\$25,000.....	9,626.00	2,898.12	2,611.83	2,468.68	30.11	27.13	25.65
\$50,000.....	25,811.00	6,255.85	5,423.72	5,007.65	24.24	21.01	19.40
\$100,000.....	64,641.00	14,658.18	12,531.25	11,467.79	22.68	19.39	17.74
\$250,000.....	194,616.00	45,626.83	39,286.86	36,116.88	23.44	20.19	18.56
\$500,000.....	414,616.00	89,441.88	75,604.68	68,686.05	21.57	18.23	16.57
\$1,000,000.....	854,616.00	165,199.09	135,862.20	121,193.76	19.33	15.90	14.18
\$2,000,000.....	1,734,616.00	302,602.70	241,665.97	211,197.60	17.44	13.93	12.18
\$5,000,000.....	4,374,616.00	686,609.92	529,673.49	451,205.28	15.70	12.11	10.31

Table 6 shows the total amount and percent of forgiveness and discount in the case of a married person with no dependents.

TABLE 6.—Married person, no dependents—Total amount and percent of forgiveness and discount under H. R. 2570

Net income before personal exemption	1942 tax under existing law	1942 tax forgiveness and discount					
		Amount			Percent		
		If paid on or before Mar. 15, 1944	If paid on or before Mar. 15, 1945	If not paid on or before Mar. 15, 1945	If paid on or before Mar. 15, 1944	If paid on or before Mar. 15, 1945	If not paid on or before Mar. 15, 1945
\$1,200.....							
\$1,500.....	\$48.00	\$48.00	\$48.00	\$48.00	100.00	100.00	100.00
\$1,800.....	103.20	82.90	82.03	81.60	80.33	79.49	79.07
\$2,000.....	140.00	102.40	100.80	100.00	73.14	72.00	71.43
\$2,500.....	232.00	151.16	147.72	146.00	65.16	63.67	62.93
\$3,200.....	360.80	219.42	213.41	210.40	60.81	59.15	58.31
\$3,300.....	382.20	230.77	224.32	221.10	60.38	58.69	57.85
\$5,000.....	746.00	409.86	395.55	388.40	54.94	53.02	52.06
\$10,000.....	2,152.00	937.60	885.92	860.08	43.57	41.17	39.97
\$15,000.....	4,052.00	1,509.71	1,401.53	1,347.44	37.26	34.59	33.25
\$20,000.....	6,452.00	2,145.78	1,962.54	1,870.92	33.26	30.42	29.00
\$25,000.....	9,220.00	2,805.06	2,532.09	2,395.60	30.42	27.46	25.98
\$50,000.....	25,328.00	6,158.77	5,343.06	4,935.20	24.32	21.10	19.49
\$100,000.....	64,060.00	14,519.56	12,411.45	11,357.40	22.67	19.37	17.73
\$250,000.....	194,000.00	45,485.64	39,165.88	36,006.00	23.45	20.19	18.56
\$500,000.....	414,000.00	89,329.64	75,513.88	68,606.00	21.58	18.24	16.57
\$1,000,000.....	854,000.00	165,098.44	135,783.48	121,126.00	19.33	15.90	14.18
\$2,000,000.....	1,734,000.00	302,507.84	241,593.28	211,136.00	17.45	13.93	12.18
\$5,000,000.....	4,374,000.00	686,526.64	529,612.88	451,156.00	15.70	12.11	10.31

Table 7 shows the 1942 tax payable in the case of a single person after forgiveness and discount.

TABLE 7.—Single person, no dependents—Unforgiven 1942 tax after forgiveness and discount under H. R. 2570

Net income before personal exemption	1942 tax under existing law	Unforgiven 1942 tax		
		If paid on or before Mar. 15, 1944	If paid on or before Mar. 15, 1945	If not paid on or before Mar. 15, 1945
\$500				
\$600	\$15.40			
\$750	43.00			
\$800	52.20			
\$1,000	89.00	\$13.63	\$14.21	\$14.50
\$1,200	125.80	30.93	32.24	32.90
\$1,500	181.00	56.87	59.29	60.50
\$1,800	236.20	82.81	86.34	88.10
\$2,000	273.00	100.11	104.37	106.50
\$2,500	365.00	143.35	149.45	152.50
\$3,000	472.00	193.64	201.88	206.00
\$5,000	920.00	434.28	452.76	462.00
\$10,000	2,390.00	1,373.25	1,431.68	1,460.90
\$15,000	4,366.00	2,772.51	2,890.49	2,949.48
\$20,000	6,816.00	4,576.52	4,771.27	4,868.64
\$25,000	9,626.00	6,727.88	7,014.17	7,157.32
\$50,000	25,811.00	19,555.15	20,387.28	20,803.35
\$100,000	64,641.00	49,982.82	52,109.75	53,173.21
\$250,000	194,616.00	148,989.17	155,329.14	158,499.12
\$500,000	414,616.00	325,174.12	339,011.32	345,929.92
\$1,000,000	854,616.00	689,416.91	718,753.80	733,422.24
\$2,000,000	1,734,616.00	1,432,013.30	1,492,950.03	1,523,418.40
\$5,000,000	4,374,616.00	3,688,006.08	3,844,942.51	3,923,410.72

Table 8 shows the 1942 tax payable in the case of a married person with no dependents after forgiveness and discount.

TABLE 8.—Married person, no dependents—Unforgiven 1942 tax after forgiveness and discount under H. R. 2570

Net income before personal exemption	1942 tax under existing law	Unforgiven 1942 tax		
		If paid on or before Mar. 15, 1944	If paid on or before Mar. 15, 1945	If not paid on or before Mar. 15, 1945
\$1,200				
\$1,500	\$48.00			
\$1,800	103.20	\$20.30	\$21.17	\$21.60
\$2,000	140.00	37.60	39.20	40.00
\$2,500	232.00	80.84	84.28	86.00
\$3,200	360.80	141.38	147.39	150.40
\$3,300	382.20	151.43	157.88	161.10
\$5,000	746.00	336.14	350.45	357.60
\$10,000	2,152.00	1,214.40	1,266.08	1,291.92
\$15,000	4,052.00	2,542.29	2,650.47	2,704.56
\$20,000	6,452.00	4,306.22	4,489.46	4,581.08
\$25,000	9,220.00	6,414.94	6,687.91	6,824.40
\$50,000	25,328.00	19,169.23	19,984.94	20,392.80
\$100,000	64,060.00	49,540.44	51,648.55	52,702.60
\$250,000	194,000.00	148,514.36	154,834.12	157,994.00
\$500,000	414,000.00	324,670.36	338,486.12	345,394.00
\$1,000,000	854,000.00	688,901.56	718,216.52	732,874.00
\$2,000,000	1,734,000.00	1,431,492.16	1,492,406.72	1,522,864.00
\$5,000,000	4,374,000.00	3,687,473.36	3,844,387.12	3,922,844.00

Table 9 shows the total current burden in the case of a single person if current liability is paid and unforgiven 1942 tax is paid in 1, 2, or 3 installments.

TABLE 9.—Single person, no dependents—total current burden

Net income before personal exemption	Current tax including gross Victory tax ¹	Current tax plus unforgiven 1942 tax		
		If unforgiven 1942 tax is paid in full on or before Mar. 15, 1944	If unpaid balance of unforgiven 1942 tax is paid on or before Mar. 15, 1945 ²	If one-third of unforgiven 1942 tax is paid on each installment date
\$500.....				
\$600.....	\$17.53	\$17.53	\$17.53	\$17.53
\$750.....	53.47	53.47	53.47	53.47
\$800.....	65.44	65.44	65.44	65.44
\$1,000.....	113.36	126.99	120.47	118.19
\$1,200.....	161.27	192.20	177.39	172.24
\$1,500.....	233.13	290.00	262.78	253.30
\$1,800.....	305.00	387.81	348.17	334.37
\$2,000.....	352.91	453.02	405.10	388.41
\$2,500.....	472.69	616.04	547.42	523.52
\$3,000.....	607.47	801.11	708.41	676.14
\$5,000.....	1,166.58	1,600.86	1,392.96	1,320.58
\$10,000.....	2,914.36	4,287.61	3,630.20	3,401.33
\$15,000.....	5,168.13	7,940.64	6,613.38	6,151.29
\$20,000.....	7,895.91	12,472.43	10,281.55	9,518.79
\$25,000.....	10,983.69	17,711.57	14,490.78	13,369.46
\$50,000.....	28,557.58	48,112.73	38,751.22	35,492.03
\$100,000.....	70,165.36	120,148.18	96,220.24	87,889.76
\$250,000.....	208,473.69	357,462.86	286,138.26	261,306.73
\$500,000.....	442,362.58	767,536.70	611,868.24	557,672.55
\$1,000,000.....	900,000.00	1,589,416.91	1,259,376.90	1,144,474.08
\$2,000,000.....	1,800,000.00	3,232,013.30	2,546,475.02	2,307,806.13
\$5,000,000.....	4,500,000.00	8,188,006.08	6,422,471.26	5,807,803.57

¹ Computed on a gross income reduced by 10 percent in arriving at specified net income.² Assuming equal payments made in 1944 and 1945.

Table 10 shows the total current burden in the case of a married person with no dependents if current liability is paid and unforgiven 1942 tax is paid in 1, 2, or 3 installments.

TABLE 10.—Married person, no dependents—Total current burden

Net income before personal exemption	Current tax including gross Victory tax ¹	Current tax plus unforgiven 1942 tax		
		If unforgiven 1942 tax is paid in full on or before Mar. 15, 1944	If unpaid balance of unforgiven 1942 tax is paid on or before Mar. 15, 1945 ²	If one-third of unforgiven 1942 tax is paid on each installment date
\$1,200.....	\$35.47	\$35.47	\$35.47	\$35.47
\$1,500.....	100.13	100.13	100.13	100.13
\$1,800.....	172.00	192.30	182.59	179.20
\$2,000.....	219.91	257.51	239.51	233.24
\$2,500.....	339.69	420.53	381.83	368.36
\$3,200.....	507.38	648.76	581.08	557.51
\$3,300.....	534.33	685.76	613.27	588.03
\$5,000.....	992.58	1,328.72	1,167.81	1,111.78
\$10,000.....	2,676.36	3,890.76	3,309.40	3,107.00
\$15,000.....	4,854.13	7,396.42	6,179.37	5,755.65
\$20,000.....	7,531.91	11,838.13	9,776.64	9,058.93
\$25,000.....	10,577.69	16,992.93	13,921.65	12,852.49
\$50,000.....	28,074.58	47,243.81	38,067.05	34,872.18
\$100,000.....	69,584.36	119,124.80	95,408.64	87,151.89
\$250,000.....	207,857.69	356,372.05	285,274.75	260,522.36
\$500,000.....	441,746.58	766,416.94	610,989.64	556,877.91
\$1,000,000.....	900,000.00	1,588,901.56	1,259,108.26	1,144,291.33
\$2,000,000.....	1,800,000.00	3,231,492.16	2,546,203.36	2,307,621.33
\$5,000,000.....	4,500,000.00	8,187,473.36	6,422,193.56	5,807,614.67

¹ Computed on a gross income reduced by 10 percent in arriving at specified net income.² Assuming equal payments made in 1944 and 1945.

PART III. SOLDIERS' AND SAILORS' RELIEF

The bill contains the same provisions as the recommitted committee bill with respect to soldier and sailor relief. These provisions were also in the Ruml-Carlson substitute.

During the present war, a member of the military or naval forces of the United States has excluded from gross income so much of his military pay as does not exceed the difference between \$3,500 and his personal exemption. Thus, a married man is entitled to a personal exemption of \$1,200. In arriving at his income subject to tax, he will be entitled to exclude \$2,300 of his military pay. In addition, he will still be entitled to the personal exemption of \$1,200 and the credit for dependents of \$350, which is allowed under the present law as a credit against net income. A single person in the armed forces will be entitled to exclude from gross income so much of his military pay as does not exceed the difference between \$3,500 and \$500. Thus, a single person will be entitled to exclude \$3,000 of his military pay from income. In addition, he will be entitled to the personal exemption of \$500 and the credit for dependents of \$350, if he has dependents, which will be allowed as a credit against his net income. This provision is somewhat similar to a provision contained in section 213 (b) (8) of the World War Revenue Act of 1918, which excluded from gross income so much of the compensation received by a person in the military or naval forces as salary or compensation from the United States for active service in such forces as did not exceed \$3,500.

The bill makes this relief applicable to 1942 and subsequent years, but it is confined to compensation for active service in the military or naval forces during the present war.

Another relief provision applies to individuals dying in the active service as a member of the military or naval forces of the United States. Any Federal income tax which is outstanding at the time of the death of such individual (including interest, additions to the tax, and additional amounts) is abated and if collected after the date of death will be refunded. This provision is effective on or after December 7, 1941.

NO CHANGE IN COMMUNITY PROPERTY

The bill does not make any change in existing law with respect to community property.

DETAILED DISCUSSION OF THE TECHNICAL PROVISIONS
OF THE BILL

COLLECTION OF TAX AT SOURCE ON WAGES

Part II of subchapter D of chapter 1 of the Internal Revenue Code provides for collection at the source of a tax of 5 percent on the excess of all wages paid on or after January 1, 1943, over a specific exemption of \$624. The amount of tax collected at source under this provision is allowed as a credit against Victory tax and any excess thereof over the Victory tax imposed under Part I of subchapter D is allowed as a credit against other income taxes imposed under chapter 1. Section 2 of the bill would amend Part II of subchapter D to provide for collection of a tax at source on wages paid on or after July 1, 1943, at

a rate of 3 percent upon the excess of the wages paid over a specific exemption of \$624 and a rate of 17 percent (which has been designed to approximate the yield of the normal tax and the first-bracket surtax on such wages) upon the excess over an exemption explained below. Thus, the combined rates approximate the net Victory tax, the normal tax, and the first-bracket surtax on such wages. In lieu of withholding at the flat percentage rates on the excess of the wages over the exemptions, employers are granted an option to withhold a tax determined under tables provided in the bill under which the two portions of the tax are combined into a single amount to be deducted from each wage payment. This system of collection at source, like other income tax laws, will apply in the Virgin Islands.

Part II of subchapter D as amended by your committee bill consists of sections 465 to 470, inclusive. Section 465 provides definitions of the more important terms used in Part II. The general definition of the term "wages" contained in section 465 (a) is the same as that contained in existing law. The term is generally defined to include all remuneration whether designated as salary, wages, fees, commissions, etc., and whether paid in cash or property, if paid for services performed by an employee for his employer. Certain of the exceptions provided in existing law with respect to remuneration paid for given types of services are continued in identical language. These exceptions, numbered to conform to the bill, include remuneration paid (2) for agricultural labor as defined in section 1426 (h); (3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority; and (4) for casual labor not in the course of the employer's trade or business.

Exception (1) relates to remuneration paid for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay includible in gross income. The addition of the expression "included in gross income" is a clerical change required by a further clerical change made in section 466 (a) of existing law.

The exception provided with respect to remuneration for services performed for a foreign government or instrumentality thereof has been amended (exception (5)) to make clear that the exception extends to remuneration paid to employees by the Commonwealth of the Philippines. The exception has also been so amended as to make certain that the services must be performed for the particular government, or branch of such government.

The exception provided in existing law for services as an employee of a nonresident alien individual, foreign partnership, or foreign corporation, if such alien or foreign entity is not engaged in trade or business within the United States, has been eliminated. In many cases, although not engaged in trade or business in the United States, such employers do have an office or place of business therein or agents by whom wages are paid to citizen or resident employees in the United States. It is the opinion of your committee that the tax should be withheld upon the wages paid in such cases.

Section 465 (a) (6) provides an exception for remuneration paid for services performed by a nonresident alien individual other than a resident of a contiguous country who enters and leaves the United States at frequent intervals. This is merely a clerical change since a similar exception was contained in section 466 (a) of existing law relating to the requirement of withholding. The effect of this exception is to

exclude from withholding all nonresident alien individuals who are subject to withholding under the provisions of section 143 of the code. By express provision, the exception does not extend to residents of a contiguous country who enter and leave the United States at frequent intervals. Thus residents of Canada and Mexico falling in such category who are employed within and receive remuneration for services performed within the United States will be subject to withholding under the provisions of the bill. Such persons are subject to the tax imposed by sections 11, 12, and 450 of the code, the same as in the case of citizens of the United States, upon the wages received for services performed within the United States and are not subject to withholding under section 143.

Many persons falling within the category of residents of a contiguous country who enter and leave the United States at frequent intervals are employed by American railroads and steamship companies in transportation service which involves crossing and recrossing the border at frequent intervals. These and similar cases have many complicating factors and are not susceptible of appropriate treatment by rigid statutory rules. Accordingly, while wages paid for services performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals are subjected to withholding, exception (7) authorizes the Commissioner to provide exceptions from withholding for such individuals under regulations prescribed with the approval of the Secretary.

Exception (8), relating to services performed while outside the United States, is a clarification of existing law designed to facilitate the use of certain presumptions in determining whether the major part of the services for an employer during the calendar year is to be performed outside the United States.

Exception (9) is a new provision excepting from the definition of "wages" remuneration paid for services performed as a minister of the gospel.

Section 465 (a), relating to the definition of "wages," makes clear that the exception provided in paragraph (8) thereof with respect to services performed outside the United States does not extend to wages paid for services performed on an American vessel or upon any vessel as an employee of the United States employed through the War Shipping Administration. Hence, under the terms of the bill, withholding is required upon the wages paid to (1) employees performing services on or in connection with an American vessel (as defined in section 1426 (g) of the code) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States and (2) employees serving on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration. This is in accordance with present administrative practice under existing law.

The term "payroll period" is defined in section 465 (b) and is identical with that contained in section 465 (a) of existing law.

Section 465 (c) defines the term "employee." This definition also is identical with that contained in section 465 (d) of existing law.

Section 465 (c) and (e) of existing law contains definitions of the terms "withholding agent" and "employer," respectively. Under the bill the definition of withholding agent has been eliminated and the

definition of the term "employer" has been broadened to include, in addition to the persons for whom services are performed, persons paying wages for services performed for another. Thus it will include the local agent of a nonresident alien individual, foreign partnership, or foreign corporation paying wages to a citizen or resident of the United States, and the person making payment of wages in situations where the wage payments are not under the control of the person for whom the services are performed, as, for instance, in the case of certain types of pension payments.

Section 465 (d) makes it clear that the responsibility for withholding and paying the tax, filing returns, and furnishing receipts rests with the employer, except as otherwise specifically provided in section 468. In the case of a corporate employer having branch offices, the branch manager or other representative may actually, as a matter of internal administration, withhold the tax or prepare the receipts required under section 469, but the responsibility and legal duty for withholding and paying the tax (including the filing of returns), and furnishing the receipts, rests with the corporate employer.

The tax required to be withheld at the rate of 17 percent is based upon the excess of the wage payment over the amount of the withholding exemption provided in section 466 (b) (1) (A). The withholding exemption is an amount equal roughly to the personal exemption of the wage earner under the regular income tax plus credit for dependents plus 10 percent of such exemption and credits, the combined amounts being prorated in accordance with the length of the particular pay roll period. Hence, the amount of the withholding exemption in a specific case is dependent upon the status of the individual as single, married, etc., and, in the case of an employed married person whose spouse is also employed, the amount of the withholding exemption claimed by each spouse. In all cases the withholding exemption will be determined by the employer upon the basis of the information relative to status set forth in a withholding exemption certificate required to be furnished by the employee. Accordingly, definitions have been provided in sections 465 (e) to (k), inclusive, for the purpose of enabling the employer to determine the status of wage earners with respect to the withholding exemption. Under these definitions the terms "single person," "married person," "head of a family," and "dependent," have the meanings assigned to such terms for the purpose of the personal exemption and credit for dependents in section 25 and the regulations prescribed thereunder, but the application of the appropriate amount of withholding exemption in each case depends upon the furnishing of a withholding exemption certificate stating that the individual occupies the described status or is entitled to the withholding exemption with respect to dependents. If no certificate setting forth the status of the employee is furnished, no withholding exemption is allowed, and tax will be withheld upon the gross amount of the wage payment. If husband and wife are both employed, each may claim one-half of the withholding exemption allowed a married person or they may agree to allow one spouse to claim all of the withholding exemption, and the other spouse to claim none of the withholding exemption. The option in such case extends only to the withholding exemption allowed a married person which under the definition is termed the "personal exemption for withholding." The withholding exemption provided with respect to

dependents must be claimed by the spouse who furnishes the chief support for such dependent whether or not such spouse claims any part of the personal exemption for withholding. In the case of the head of a family having one or more dependents, one of such dependents is to be omitted in determining the number of dependents for the purpose of the withholding exemption with respect to dependents.

Section 466 of the existing law has been revised to incorporate the proposed new rates of withholding and to provide appropriate schedules for the computation of the amount of the withholding exemptions. Under the section as amended, withholding is required at the rate of 17 percent upon the excess of each payment of wages over a withholding exemption which approximates the personal exemption and credit for dependents allowed for income-tax purposes, plus 10 percent of such exemption and credit, and at the rate of 3 percent of each payment of such wages over a withholding exemption based upon the specific exemption of \$624 provided for Victory tax purposes.

Under existing law the liability for withholding is placed upon the person having control of the payment of wages. Section 466 as amended specifically designates the "employer" as the person required to withhold and collect the tax. This is a clarifying amendment. A clerical amendment eliminates the provision in section 466 (a) which restricts the withholding to wages includible in gross income. This limitation, which was designed to exclude from withholding the amount of any wage payment exempted under the law from the tax imposed by chapter 1, is rendered unnecessary by the changes made in the definition of the term "wages."

The amount of the withholding exemption applicable with respect to any payment of wages is determined under the provisions of section 466 (b). The term "withholding deduction" contained in the corresponding section of existing law has been changed to "withholding exemption" in order to avoid confusion. The amount of the withholding exemption applicable to all wage payments is determined under the schedules provided in section 466 (b) and the rules relative to the application of such schedules in certain types of cases are provided in paragraphs (2), (3), and (4) of subsection (b). The schedule of withholding exemptions applicable for the purpose of the 17-percent rate provided in subsection (a) (1) is as follows:

Payroll period	Single person	Married person claiming whole of personal exemption for withholding, or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly.....	\$11.00	\$26.00	\$13.00	0	\$8.00
Biweekly.....	22.00	52.00	26.00	0	16.00
Semimonthly.....	23.00	55.00	27.50	0	17.00
Monthly.....	46.00	110.00	55.00	0	34.00
Quarterly.....	138.00	330.00	165.00	0	102.00
Semiannual.....	276.00	660.00	330.00	0	204.00
Annual.....	552.00	1,320.00	660.00	0	408.00
Daily or miscellaneous (per day of such period).....	1.50	3.60	1.80	0	1.10

The schedule of withholding exemptions for the withholding rate of 3 percent is as follows:

Payroll period:	Withholding exemption
Weekly.....	\$12. 00
Biweekly.....	24. 00
Semimonthly.....	26. 00
Monthly.....	52. 00
Quarterly.....	156. 00
Semiannual.....	312. 00
Annual.....	624. 00
Daily or miscellaneous (per day of such period).....	1. 70

The latter schedule is the same as that provided in section 466 (b) of existing law with the exception of an additional line setting forth the amount of the withholding exemption applicable with respect to wages paid for a single day's service in the case of a daily or miscellaneous payroll period. Under the rules prescribed in paragraphs (2), (3), and (4) of the subsection, the daily or miscellaneous payroll exemption will be used for computing the amount of the withholding exemption in the case of wages paid on a daily basis, for any period not otherwise provided for in the schedules, or for wages paid without regard to any period. For instance, in the case of wages paid for a 10-day payroll period, the amount of the withholding exemption applicable is \$1.70 per day multiplied by the number of days in such period, or \$17. The same rules apply to the withholding exemption schedule applicable for the purpose of computing the tax at the 17-percent rate.

Paragraphs (2), (3), and (4) of section 466 (b) of existing law have been rearranged and reworded to conform with other changes in the section. However, the rules prescribed in these paragraphs are the same in substance as those provided in paragraphs (2), (3), and (4) of existing law.

Paragraph (4) of section 466 (b) is substantially the same as paragraph (2) of the same section of existing law except that it is made clear that the rule there prescribed is applicable at the election of the employer. Under this provision, if wages are paid for a period of less than a week or, in the case of wages paid without regard to any period, if the time described in paragraph (3) is less than 1 week, the employer may at his election compute the amount of the tax on the basis of the excess of the wages paid during the calendar week over the withholding exemption allowable for a weekly payroll period. If the employer does not elect to use such method, the tax will be based upon the excess of the wages paid, prorated on a daily basis, over the amount of the withholding exemption computed at the rate of \$1.70 per day. The application of this provision is illustrated by the following example:

If a married person (having no dependents) claiming all of the personal exemption for withholding receives in a calendar week \$8 per day for 4 days, his employer may elect to withhold upon the amounts in excess of \$26 (or \$6) at the rate of 17 percent (or \$1.02) and upon the amounts in excess of \$12 (or \$20) at the rate of 3 percent (or \$0.60). Hence, under such election the 17-percent rate would apply beginning with the payment made for the fourth day, and the 3-percent rate would apply beginning with the payment made for the second day. The total amount withheld from such wages would be \$1.62. On the

other hand, the employer may use the amounts specified in the schedules for a daily or miscellaneous payroll period, in which case the amount withheld would be the sum of 17 percent of the amount in excess of \$3.60 paid each day and 3 percent of the amount in excess of \$1.70 paid each day so that the total amount withheld would be \$3.76.

Paragraph (5) of section 466 (b) of the existing law provides that the total withholding exemption allowed an employee with respect to wages received from any one employer during the calendar year shall not exceed the amount of the withholding exemption allowable for an annual payroll period. This limitation operated to prevent an excessive withholding exemption and consequent underwithholding of the tax in those cases in which the employee received regular wages plus additional wages in the form of bonuses, commissions, etc. The committee bill eliminates this paragraph as unnecessary. Under section 466 (j) as added by the bill, the Commissioner is vested with authority to provide appropriate rules for the determination of the withholding exemption applicable in such cases and it is expected that such rules will provide the proper limitation.

Under the provisions of section 466 (c) of the bill, employers may at their option withhold a tax determined under tables provided in such section in which the amounts of tax at the 17-percent rate and the 3-percent rate are combined into a single amount to be deducted from each wage payment. Such tax shall be in lieu of the tax computed under the percentage rates and required to be withheld under the provisions of subsection (a). Under this section, tables are provided for weekly, biweekly, semimonthly, and monthly payroll periods. For the convenience of employers making payment of wages for payroll periods other than those comprehended by the above-mentioned tables, or for periods which do not constitute a payroll period, or making payment of wages without regard to any particular period of time, a further table described as the table applicable to a daily payroll period or a miscellaneous payroll period is provided. Under this table the amount of the tax required to be withheld is determined by multiplying the amount of tax shown opposite the particular daily wage bracket by the number of days for which wages are paid or, in the case of wages paid without regard to a period of time, by the number of days which have elapsed between such wage payments, since the date of commencement of employment during the calendar year, or January 1, of the calendar year, whichever is the later. The rules relating to the application of the above-mentioned tables to specific types of cases are prescribed in paragraphs (2), (3), and (4) of section 466 (c): These rules are in substance the same as those prescribed in paragraphs (2), (3), and (4) of section 466 (b) for the purpose of determining the amount of the withholding exemption in cases where the tax is determined by application of the percentage rate to the wages paid. For example, if wages are paid for a period which does not constitute a payroll period, paragraph (2) of section 466 (c) provides that the amount of tax to be withheld shall be computed by multiplying the tax shown opposite the appropriate wage bracket in the miscellaneous table by the number of days contained in the period for which such wages were paid. Paragraph (4) of such section provides that if wages are paid for a period of less than 1 week the employer may at his election compute the tax under the table

applicable in the case of a weekly payroll period or under the miscellaneous table. If the employer elects to use the table applicable to the weekly payroll period, the aggregate of the wages paid to the employee during the calendar week shall be considered as the weekly wage.

Section 466 (d) under the bill is substantially the same as section 466 (d) of the existing law. Under this provision payment by the recipient of the income of the tax required to be withheld by the employer relieves the employer from payment of the tax, but does not relieve him from liability for additions to the tax or penalties for failure to withhold, collect, and pay the tax in accordance with the provisions of the subchapter. Nothing contained in this section should be construed to relieve the employer of the duty imposed by law to withhold and pay the tax.

Section 466 (e) under the bill is, in general, the same as section 466 (e) of existing law and provides that the tax withheld at source shall be allowed as a credit against the income (including Victory) tax imposed by chapter 1 of the code upon the recipient of the income. A clarifying amendment specifically designates the taxable year with respect to which such credit shall be allowed. In the case of taxpayers on a calendar-year basis, the tax withheld at source during the calendar year is allowed as a credit against the tax imposed for the same calendar year; in the case of taxpayers on a fiscal-year basis, the tax withheld at source during any calendar year is allowed as a credit against the tax imposed for the fiscal year beginning in such calendar year.

Subsection (f) is substantially the same as subsection (f) of existing law and provides that the refund or credit of any overpayment of the tax required to be withheld and collected shall be made to the employer unless such tax was actually withheld and collected from the employee.

Subsection (g) amends subsection (g) of existing law to limit its application to payroll periods of not more than 31 consecutive days. This subsection provides that if the remuneration paid for services performed during one-half or more of any payroll period constitutes wages, all the remuneration paid for such period shall be deemed to be wages; but if the remuneration paid for services performed during more than one-half of such payroll period does not constitute wages, then none of the remuneration paid for such period shall be deemed to be wages. The subsection has application only to remuneration paid for a period which constitutes an established payroll period within the meaning of the definition contained in section 465 (b). It has no application to remuneration paid at irregular intervals or to remuneration paid without regard to any period. The limitation provided by the bill is intended to minimize changes in pay periods in order to avoid withholding.

Subsection (h) requires every employee receiving wages to furnish his employer a signed withholding exemption certificate in such form and containing such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe. The purpose of the certificate is to enable the employer to determine the amount of the withholding exemption applicable to the wages of each employee or, if the employer elects under section 466 (c) to adopt wage-bracket

withholding, the amount to be withheld under that subsection. The status of the employee as single person, married person claiming all of personal exemption for withholding, married person claiming half of personal exemption for withholding, married person claiming none of personal exemption for withholding, head of family, and the dependents to be taken into account by the employer for withholding purposes, are to be determined in accordance with the certificate furnished by the employee. Once in effect a certificate is to continue in effect until another certificate furnished by the employee takes effect. If no certificate is in effect with respect to an employee, the employer is to treat such employee as a married person claiming none of the personal exemption for withholding so that with respect to such employee there will be no withholding exemption in effect for the purposes of computing the amount to be withheld at the 17 percent rate. Similarly, if the employer uses the wage-bracket tables, the amounts to be withheld from the wages of an employee with respect to whom there is no withholding certificate in effect are to be determined in accordance with the tables provided in the case of a married person claiming none of the personal exemption for withholding. In case of a change of status, the employee is required to furnish a new certificate not later than 10 days after such change occurs.

Subsection (h) contains rules for determining when a withholding exemption certificate becomes effective: (1) If the employee furnishes a withholding exemption certificate after the date of commencement of employment, the certificate is to take effect as of the beginning of the last payroll period beginning within 30 days after the date on which he furnishes the certificate to the employer; or such certificate will take effect with respect to the first payment of wages without regard to a payroll period made after the expiration of 30 days after the date on which the employee furnishes the certificate. These provisions are designed to allow employers sufficient time in which to adjust payroll and other accounting records to conform to the withholding exemption certificates furnished by employees after the date of commencement of employment. Wherever feasible, however, employers may give earlier effect to such certificates. (2) If the employee furnishes a withholding exemption certificate on the date of commencement of employment, the certificate is to take effect as of the beginning of the first payroll period ending on or after the date on which the certificate is furnished or with respect to the first payment of wages made without regard to a payroll period on or after such date.

The rules set forth under (1) above are applicable to all wage earners who are employed on July 1, 1943, when the new withholding provisions take effect. The rules under (2) above apply in the case of new employment or reemployment, after an interruption in employment with the same employer, occurring after July 1, 1943.

Section 466 (i) authorizes the Commissioner, under regulations prescribed with the approval of the Secretary, to provide suitable rules for the determination of the withholding exemption and the application of the wage-bracket tables with respect to various types of wage payments which do not fall readily within the statutory pattern which is necessarily designed to fit the customary type of periodic wage payments. The problems intended to be covered by these regulations are those arising generally in case of supplementary payments in the form of bonuses, commissions, dismissal wages, and

the like, made in addition to periodic wage payments, and payments made with respect to periods beginning in one calendar year and ending in a different calendar year.

Payments supplementary to periodic wage payments are made in various ways. Such payments may consist of commissions or bonuses paid each payroll period and covering the same or different periods as the regular wage payment or they may be made without regard to any particular period. The actual payment of the supplementary remuneration may or may not coincide with an actual payment of periodic wages. Such payments of supplementary remuneration raise the problem as to the proper handling of the withholding exemption and the wage-bracket tables in order to provide for the allowance of the appropriate withholding exemption and the deduction of the appropriate amount of tax.

For example, an employee's remuneration may consist of wages paid at periodic intervals plus additional wages in the form of a bonus paid at the end of each 6 months' period. If the tax required to be withheld and collected at the source is computed independently with respect to each such payment of wages, after giving effect to the withholding exemption applicable to each such payment, it is apparent that such employee will have been allowed the entire amount of the withholding exemption to which he is entitled for a full calendar year. Hence, he should not be entitled to any withholding exemption with respect to wage payments made by the same employer during the balance of the calendar year. The same result would obtain if the tax on the periodic wage payments was withheld under the table applicable to such periods and the tax on the bonus was withheld on the percentage basis after allowance of the amount of the withholding exemption applicable to a 6 months' period. It is obviously more desirable to have the withholding exemption to which the employee is entitled spread over the wage payments for the entire calendar year. Moreover, it is considered undesirable to burden the employer with the necessity of keeping records in order to determine at a given time the aggregate amount of the withholding exemption previously allowed to the employee.

The bill contemplates that the maximum amounts allowable as a withholding exemption to an employee with respect to the wages paid by any one employer during the calendar year shall approximate the amounts of the withholding exemption allowed for an annual payroll period, whether such exemption is based on the schedules provided in subsection (b) of section 466 or is reflected in the tables contained in subsection (c).

For these reasons, it is expected that the Commissioner will provide reasonable regulations for the appropriate treatment of all such supplementary or overlapping wage payments. Such regulations should insure, on the one hand, that the amount of tax withheld by the employer will approximate the amount that would be withheld and collected if all wages paid to the employee by such employer were paid at periodic intervals throughout the calendar year and, on the other hand, that the employee will receive the benefit of withholding exemptions approximating in the aggregate the amounts specified under the schedules for an annual payroll period.

Section 467 of existing law consists of subsections (a), (b), and (c). Your committee bill has changed the headings and combined sub-

sections (a) and (b) of existing law into new subsection (a). These are clerical amendments made because of the new definition of the term "employer" contained in section 465 (d) and effect no substantive change in the law. Subsection (b) is identical with subsection (c) of existing law.

Section 468 of existing law provides for quarterly returns of tax withheld at source by the person required to withhold and collect the tax. The section has been amended in several respects. As amended, the section retains the requirement for quarterly returns but fixes the responsibility and legal duty for making the return specifically upon the employer in every case. It further provides, however, that if the United States, a State, Territory, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing is the employer, the return may be made by the officer or employee having control of the payment of wages or other officer or employee appropriately designated for that purpose.

In order to simplify certain administrative problems, provisions have been incorporated in the section to permit the Commissioner to determine deficiencies in respect of the tax required to be withheld and collected, either on the basis of a quarterly return or on the basis of the several returns for the four quarters of the calendar year treated as a single return for such year. For the purpose of the determination, assessment, and collection of a deficiency with respect to the calendar year, it is provided that the aggregate of the amounts shown on the quarterly returns shall be deemed to be the tax shown on the return, and the aggregate of the taxes imposed for each quarter of the calendar year shall be deemed to be the tax imposed under Part II of subchapter D for such calendar year. The Tax Court of the United States shall redetermine a deficiency or find an overpayment either on the basis of a quarterly return or on the basis of the several returns for the four quarters of the calendar year treated as a single return for such year, depending upon whether the Commissioner has determined the deficiency with respect to the quarter or with respect to the entire year.

For the purpose of computing interest with respect to a deficiency determined for the full calendar year, the date prescribed for making the last quarterly return shall be deemed to be the date prescribed for the payment of the tax. In addition to the above-described amendments, the section has also been amended to provide that every return of tax withheld and collected at the source under the provisions of subchapter D shall be verified by a written declaration that it is made under the penalties of perjury.

Section 469, relating to receipts, has been amended in two respects. Subsection (a) of section 469 has been amended to eliminate the language which requires the employer to show on the receipt the period of employment covered by such receipt. As so amended, the section specifically requires only that the receipts show the amount of wages paid and the amount of tax withheld with respect thereto. The Commissioner is granted authority to prescribe by regulations the form and content of such receipts and, if he finds it necessary, he may require that the periods of employment be shown. Subsection (b) provides that the receipts shall be in lieu of the information returns with respect to wages, but information returns will still be required with respect to remuneration not subject to withholding.

Subsections (a) and (b) of section 470, relating to penalties for fraudulent receipts or failure to furnish receipts, are identical with existing law.

Subsection (c) of section 470 has been amended to increase from \$5 to \$10 the minimum addition to the tax for failure by the employer to make and file a return required by this subchapter within the time prescribed by law or prescribed by the Commissioner in pursuance of law.

Section 470 (d) is a new provision added by the bill. This section provides appropriate penalties applicable to employees who willfully supply false or fraudulent withholding exemption certificates or who willfully fail to supply information which would decrease the withholding exemption. The penalty in each instance is a fine of not more than \$500 or imprisonment of not more than 1 year, or both, and such penalties are in lieu of those provided in section 145 (a) of the code.

Section 2 (b) of the bill is a technical amendment changing the heading of subchapter D of chapter 1 of the Internal Revenue Code.

Section 476 of the code provides that the taxes imposed by subchapter D of chapter 1 shall not apply to any taxable year commencing after the date of cessation of hostilities in the present war. Section 2 (c) of the bill amends section 476 to limit the application of this provision to the Victory tax imposed by part 1 of subchapter D.

Section 2 (d) of the bill, relating to the effective date, provides that the amendments made by section 2 shall take effect on July 1, 1943, and shall be applicable to all wages paid on or after such date.

MISCELLANEOUS AMENDMENTS

Section 3 of the bill makes a clarifying amendment to section 322 (a) (2). There is no change in substance.

Section 3790 of the Internal Revenue Code prohibits administrative review of the Commissioner's decision on the merits of claims presented under the internal-revenue laws. Subsection (b) of section 4 amends section 3790 to extend the rule of that section to interest on any credit or refund of amounts withheld at the source or paid under Part II of subchapter D, of chapter 1, and to interest on any credit or refund of amounts paid under the provisions of section 59.

CURRENT PAYMENT OF TAX NOT WITHHELD AT SOURCE

Section 4 of the bill strikes sections 58, 59, and 60 of the Internal Revenue Code which are cross reference provisions, and inserts in lieu thereof new sections 58, 59, and 60 to provide for the current payment of that portion of the individual's tax liability not required to be withheld at source. Withholding at source is at a rate designed to approximate the net Victory tax, the normal tax and first bracket surtax and applies only with respect to wages (as defined in sec. 465). The current payment system is designed to provide for collection during the taxable year of the remaining tax liability for such year. Accordingly, it provides for the current collection of the net Victory tax on income not subject to withholding at source, for the current collection of the surtax above the first bracket on wages, and for the current collection of the normal tax and surtax on income not subject to withholding at source. The amount of the current payment is to be deter-

mined upon the basis of a declaration by the taxpayer of his estimated tax liability for the current taxable year.

Subsection (a) of section 58 prescribes the rules for determining what persons are required to make a declaration of estimated tax liability. Nonresident aliens subject to withholding under the provisions of section 143 and estates and trusts are specifically excepted from the requirement to make such declaration. Nonresident alien individuals who are residents of a contiguous country and who enter and leave the United States at frequent intervals are not subject to withholding under section 143 and hence are not within the exception. The requirements as to who shall make and file a declaration are based generally upon the amount and kind of the estimated gross income for the current taxable year or the amount and kind of the actual gross income for the preceding taxable year, and the personal status of the individual as a single or married person at the time prescribed for the making of the declaration.

Under the conditions set forth in section 58 (a), every individual who, at the time prescribed for the making of the declaration, is single or is married but not living with husband or wife shall make and file a declaration of his estimated tax for the taxable year if—

(1) his gross income from wages (as defined in sec. 465) can reasonably be expected to exceed \$2,700 for the taxable year, or

(2) his gross income from wages (as defined in sec. 465) did exceed \$2,700 for the preceding taxable year, or

(3) it can reasonably be expected that for the taxable year his gross income from sources other than wages (as defined in sec. 465) will exceed \$100 and his gross income from all sources will amount to \$500 or more, or

(4) his gross income for the preceding taxable year from sources other than wages (as defined in sec. 465) did exceed \$100 and (a) his gross income from all sources for the preceding taxable year was \$500 or more or (b) the aggregate gross income from all sources of such individual and his spouse (if any) for the preceding taxable year was \$1,200 or more.

Every individual who, at the time prescribed for the making of the declaration, is married and living with husband or wife shall make a declaration of his estimated tax for the taxable year if—

(1) it can reasonably be expected that for the taxable year, such individual will receive gross income from wages (as defined in sec. 465) and the aggregate gross income of such individual and such spouse from wages will exceed \$3,500; or

(2) in the preceding taxable year, such individual received gross income from wages (as defined in sec. 465) and the aggregate gross income of such individual and such spouse from wages exceeded \$3,500; or

(3) it can reasonably be expected that for the taxable year such individual will receive gross income from sources other than wages (as defined in sec. 465), the aggregate gross income of such individual and such spouse from sources other than wages will exceed \$100, and the aggregate gross income from all sources will amount to \$1,200 or more; or

(4) in the preceding taxable year such individual received gross income from sources other than wages (as defined in sec. 465), the aggregate gross income of such individual and such spouse from sources other than wages exceeded \$100, and the aggregate gross income from all sources of such individual and such spouse for the preceding taxable year was \$1,200 or more.

For the purposes of section 58, the amount of the gross income which the taxpayer can reasonably be expected to receive or, in the case of a taxpayer upon the accrual basis, the amount which can reasonably be expected to accrue, shall be determined upon the basis of the facts and circumstances existing as of the time prescribed for the making of the declaration.

Subsection (b) of section 58 prescribes the rules relative to the form and content of the taxpayer's declaration of estimated tax. It is required generally that the declaration shall be in such form and contain such information as may be prescribed by the Commissioner under regulations approved by the Secretary. Subsection (b) specifically requires that the declaration shall state (1) the amount which the taxpayer estimates as the amount of his tax under sections 11 and 12, or section 400, as the case may be, and the Victory tax imposed by section 450 (adjusted for the credit provided in sec. 453), without regard to any credits for tax withheld at source; (2) the amount which he estimates as the amount of the credits allowable for the taxable year under sections 32 and 466 (e) on account of tax withheld at source on tax-free covenant bonds and wages; and (3) the excess of the amount estimated under (1) over the amount estimated under (2). Under subsection (b) the "estimated tax for the taxable year" is the excess of the amount estimated by the taxpayer as the tax imposed by chapter 1 (without regard to the credit for taxes withheld at source) over the amount which the taxpayer estimates as the amount allowable as a credit for the taxable year for taxes withheld at the source. The subsection further provides that every declaration of estimated tax for the taxable year shall contain or be verified by a written statement that it is made under the penalties of perjury.

Under the provisions of subsection (c) a husband and wife living together at the time prescribed for making a declaration may elect to make a joint declaration in which case the liability with respect to the estimated tax shall be joint and several. A joint declaration by husband and wife shall be signed and verified by both spouses. If the declaration is signed by one spouse as agent for the other, authorization for such action must accompany the declaration. No joint declaration is permitted if either husband or wife is a nonresident alien. If the husband and wife make a joint declaration but do not make a joint return for the taxable year the amounts paid on account of the estimated tax for such year may be treated as payments on account of the tax liability of either the husband or wife for the taxable year or may be divided between them in any manner they see fit.

The time and place for filing declarations of estimated tax required under section 58 are prescribed in subsection (d) of such section. Such declarations must be filed on or before the 15th day of the third month of the taxable year by every person whose then anticipated income for the current taxable year or whose actual income for the preceding taxable year meets the requirements of subsection (a). In

the more usual case of taxpayers on the calendar-year basis, such returns are to be filed on or before the 15th day of March. In the case of taxpayers on a fiscal year basis, such date will be the 15th day of the third month of the particular fiscal year. If, under the provisions of subsection (a), a declaration is not required on or before the 15th day of the third month of the taxable year but subsequent thereto the facts and circumstances are such that the gross income for the taxable year can reasonably be expected to meet the requirements of subsection (a), a declaration of the estimated tax liability is required to be filed. In such event, the declaration must be filed on or before the 15th day of the last month of the quarter of the taxable year in which the requirements of subsection (a) are first met. For instance, a single person was hired on January 2, 1944, at a salary of \$2,400 per annum. He had no other source of income, could not reasonably expect to receive any other income, and did not receive any income during the preceding taxable year. In the absence of any change of circumstances before March 15, 1944, such person is not required to make a declaration as of that date. On July 1 such person was advised that he was promoted to a higher position and that thereafter his salary would be increased to \$3,200 per year. Hence, on that date the gross income of such person for the taxable year could reasonably be expected to exceed \$2,700. Therefore, assuming that such taxpayer makes his income-tax return on a calendar-year basis, a declaration of his estimated tax liability for the taxable year should be filed on or before the 15th day of September of such year.

Under the provisions of subsection (d), an amended or revised declaration is permitted, subject to such regulations as may be prescribed by the Commissioner with the approval of the Secretary. Such amended or revised declaration may be filed in any quarter of the taxable year subsequent to the quarter in which the declaration or the last amended declaration was filed. The revised estimate shown in such amended declaration shall not take effect with respect to any quarter unless filed on or before the fifteenth day of the third month of such quarter. Declarations of estimated tax liability and all amended or revised declarations shall be filed with the collector of internal revenue for the district in which is located the legal residence or principal place of business of the person making such declaration or, if the declarant has no legal residence or principal place of business in the United States, such declarations and amendments and revisions shall be filed with the Collector of Internal Revenue at Baltimore, Md. Any such amended declaration shall be filed with the collector for the district in which the original declaration was filed.

Subsection (e) of section 58 authorizes the Commissioner to grant a reasonable extension of time for filing the declaration of the estimated tax under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no extension shall be granted for a period of more than 6 months.

Subsection (f), relating to persons under disability, provides that if the taxpayer is unable to make his own declaration a declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer. In such case, the taxpayer and his agent shall be responsible for the

declaration as made and incur liability for any penalties provided for erroneous, false, or fraudulent declaration.

Under subsection (g), it is provided that the fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

Under the provisions of new section 59, if the declaration of the estimated tax is made on or before the 15th day of the third month of the taxable year, such tax shall be paid in four equal installments. In such case the first installment shall be paid at the time of filing the declaration, the second installment on the 15th day of the sixth month, the third installment on the 15th day of the ninth month, and the fourth installment on the 15th day of the twelfth month of the taxable year.

If the declaration of estimated tax is filed after the 15th day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year. For example, if the declaration is filed on the 15th day of the sixth month of the taxable year, the estimated tax shall be paid in three equal installments.

If, pursuant to section 58 (e), the Commissioner grants an extension of time within which to make a declaration of estimated tax, installments of such tax shall be paid at such time and under such conditions as the Commissioner may prescribe.

If a taxpayer files an amended or revised declaration of estimated tax, the remaining installments of estimated tax shall be ratably increased or decreased, as the case may be, to reflect any change made in the previously estimated tax by such amendment or revision. For example, on March 15, 1944, the taxpayer filed a declaration of estimated tax for the calendar year 1944 in the amount of \$600. An installment of \$150 was paid at the time of making such declaration. However, on June 15, 1944, the taxpayer filed an amended declaration disclosing an estimated tax for the taxable year of \$300 instead of the \$600 originally estimated. As a result of such amended declaration, the installments of estimated tax required to be paid on June 15, September 15, and December 15 will each be \$50.

At the election of the taxpayer, any installment of estimated tax may be paid prior to the date prescribed for its payment.

The section further provides that payment of the estimated tax shall be considered payment on account of the income (including Victory) tax imposed by chapter 1 for the taxable year. All such payments of estimated tax are, for the purpose of the provisions of law relating to refund or credit of the tax imposed by chapter 1, including the provisions relating to interest on overpayments of such tax, deemed to have been paid on the 15th day of the third month following the close of the taxable year.

Subsection (b) of section 59 provides that the estimated tax shall be assessed only to the extent paid. Thus, the collector may not distrain for any unpaid installment of estimated tax. Such provision, however, shall not be construed to prevent the application of section 146 relating to the closing by the Commissioner of the taxable year.

New section 60 provides special rules for the application of sections 58 and 59 relating to the declaration and payment of the estimated tax. Subsection (a) allows the individual whose estimated gross

income from farming for the taxable year is at least 80 percent of his total estimated gross income from all sources for the taxable year the option of filing his declaration on or before the 15th day of the last month of the taxable year, in lieu of the time prescribed for other individuals under section 58 (d). This provision recognizes the difficulty of estimating in the early part of the taxable year the amount of income which will be derived from ordinary farm operations. Weather conditions, plant and animal diseases, ravages of insects and other pests, are among the factors which contribute to the uncertainty of such income. The estimated gross income from farming is the estimated income of the farm entrepreneur from the cultivation of the soil and the raising or harvesting of any agricultural or horticultural commodities, and the raising of livestock, bees, or poultry; In other words, the requisite gross income must be derived from the operations of a stock, dairy, poultry, fruit, or truck farm, or plantation, ranch, nursery, range, or orchard.

Subsection (b) of new section 60 authorizes the Commissioner, with the approval of the Secretary, to prescribe suitable regulations for the application with respect to short taxable years of sections 58, 59, and 294 (a) (4) and (5), added to the Internal Revenue Code by the bill. Thus, the rules applicable to short taxable years with respect to the declaration and payment of the estimated tax, and additions to the tax for failure to make timely payment of installments of estimated tax or for substantial underestimates of tax, are to be established by regulations.

Subsection (c) prescribes the special rule governing the transition to the system of current payment of the income tax on income not subject to withholding at source. The subsection provides the rule applicable with respect to the filing of the first declaration required under the bill. In the case of a taxable year which is the calendar year 1943, the declaration is to be filed on or before September 15, 1943. In the case of a taxable year which is a fiscal year beginning after January 1, 1943, the declaration shall be filed on such date as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Apart from the date for filing the first declaration, all of the other rules prescribed in the bill with respect to declarations generally shall be applicable to such first declaration.

Section 4 (b) of the bill adds to section 294 (a) of the code three new paragraphs, numbered (3), (4), and (5). These paragraphs contain sanctions relating to the filing of declarations and payment of installments of estimated tax and to the proper estimate of tax.

Paragraph (3) provides for an addition to the tax in the case of failure to make and file a declaration of estimated tax within the time specifically prescribed by this bill or within the time prescribed by the Commissioner under the authority granted by the bill. Such addition to the tax shall be in an amount equal to 10 percent of the tax, but in no event shall the amount of such addition be less than \$10. The term "the tax" for the purpose of this provision means the tax imposed by chapter 1 of the code.

Paragraph (4) provides for an addition to the tax imposed by chapter 1 of the code in the case of the failure to pay an installment of the estimated tax within the time specifically prescribed in the bill or within the time prescribed by the Commissioner pursuant to authority granted by the bill. Such addition to the tax shall be in

the amount of $2\frac{1}{2}$ percent of the tax imposed by chapter 1, but in no event shall such addition be less than \$2.50. In the case of husband and wife who file a joint declaration of estimated tax for the taxable year, and subsequently file separate returns for such year, the addition to the tax in the case of a failure to pay an installment of the estimated tax within the time prescribed, shall be $2\frac{1}{2}$ percent of the tax imposed on each spouse under chapter 1, but not less than \$2.50 in the case of each spouse.

Paragraph (5) provides for an addition to the tax in the case of a substantial underestimate of tax. In view of the fact that the taxpayer may revise his estimate of tax quarterly throughout the taxable year, and as late as the 15th day of the last month of the taxable year, the provision for an addition to the tax is a reasonable sanction to insure the payment during the taxable year of a total amount of estimated tax closely approximating the actual liability for the year. In the case of individuals other than farmers exercising the election under section 60 (a), an addition to the tax imposed by chapter 1 is provided in the event that the amount of the estimated tax is less than 80 percent of the amount of the tax imposed by that chapter. In the case of farmers exercising the election under section 60 (a), the addition to the tax is applicable if the amount of the estimated tax is less than 66 $\frac{2}{3}$ percent of the amount of the tax imposed by chapter 1. The addition to the tax shall be an amount equal to 6 percent of the difference between the amount of the estimated tax and 80 percent (or 66 $\frac{2}{3}$ percent in the case of the farmer exercising the election under section 60 (a)) of the tax imposed by chapter 1. To illustrate: A files a declaration showing an estimated tax for the taxable year of \$200. The tax imposed by chapter 1 for such year is \$300. Since 80 percent of that tax (\$240) exceeds the estimated tax (\$200), the addition to the tax is \$2.40 (6 percent of \$40, which is the amount by which 80 percent of the tax exceeds the estimated tax).

Subsection (c) of section 4 of the bill amends section 145 (a) of the code. Section 145 (a) prescribes criminal penalties for the willful failure to make and file returns, keep records, supply information, or pay tax. By the amendment contained in section 4 (c) the same penalties are made applicable to the failure to make and file declarations and pay the estimated tax.

Section 4 (d) of the bill terminates the privilege of installment payments of tax in the case of all individuals subject to the system of current collection of income taxes provided in the bill. The only individuals with respect to whom the installment privilege is retained are estates, trusts, and nonresident aliens subject to withholding under section 143 (b). The bill contemplates that since the payments made during the taxable year will be based upon the reasonably anticipated tax liability for that year (which should closely approximate the actual tax liability in view of the privilege granted to the taxpayer to revise his estimate), there is no occasion for retaining the installment privilege. The requirement, pursuant to section 56 (a), for payment on the 15th day of the third month following the close of the taxable year of any excess of the actual liability over the amount of estimated tax paid during the taxable year should not create a hardship in any case where a reasonable and proper estimate is made during the taxable year. Despite the amendment made by subsection (d), any payment of tax or any payment of an installment of tax due and payable before

September 1, 1943, shall be made in accordance with the requirements of the present law. In other words, a taxpayer on the calendar year basis, who pays his 1942 tax liability in installments, must pay his March 15, and June 15, 1943, installments of 1942 tax.

Subsection (e) of section 4 provides that the amendments made by section 4 of the bill shall be effective with respect to taxable years beginning after December 31, 1942. Thus, the recommended system for current payment of individual income tax not withheld at source applies only to taxable years beginning on or after January 1, 1943.

Section 5 of the bill meets the problem of transition to the system of current payment of the individual income tax. Subsection (a) provides that the income tax imposed upon any individual shall, in lieu of that otherwise imposed, be a tax determined in accordance with the schedules set forth on page 15.

The reduction in income tax for 1942 shown in each tax bracket of the schedule is based upon the application of the lower 1941 rates and higher 1941 exemptions to the 1942 income. The reduction is not applicable to estates, trusts, or nonresident alien individuals subject to withholding under section 143 (b) of the code, but does apply to nonresident aliens who are residents of a contiguous country and who enter and leave the United States at frequent intervals.

Subsection (a) does not take effect until September 1, 1943. Accordingly, all installments of income tax for any taxable year beginning in 1942, which are due and payable before September 1, 1943, and regardless of whether the time for their payment has been extended beyond August 31, 1943, must be paid regardless of subsection (a), without reduction.

The application of the schedule contained in subsection (a) may be illustrated by the following examples:

Example (1).—Taxpayer A on March 15, 1943, filed his individual income-tax return for the calendar year 1942 showing an income-tax liability of \$163. His reduced 1942 tax is \$51.50. This amount is determined by consulting the second bracket of the schedule, since A's income-tax liability without regard to subsection (a) is more than \$60 but not more than \$600. The excess of \$163 over \$60 amounts to \$103, 50 percent of which is \$51.50.

Example (2).—Taxpayer B on April 15, 1943, filed his individual income-tax return for the fiscal year ending January 31, 1943. His income-tax liability for that year is \$12,000. His reduced tax for 1942 is \$9,124. This amount is determined by consulting the fourteenth bracket of the schedule since B's income tax liability is more than \$10,000 but not more than \$15,000. The excess of that liability over \$10,000 amounts to \$2,000, 83 percent of which is \$1,660. The latter amount when added to \$7,464 results in a total liability of \$9,124.

Subsection (b) provides relief from double payments of income-tax liability in the case of individuals subject to the provisions of subsection (a) by permitting such individuals to pay the reduced 1942 tax in three installments which become due after the close of 1943. The first installment shall be paid on or before the fifteenth day of the twenty-seventh month following the beginning of the taxable year beginning in 1942, the second on or before the fifteenth day of the thirty-ninth month following the beginning of such taxable year, and the third on or before the fifteenth day of the fifty-first month following

the beginning of such year. For example, in the case of a calendar year taxpayer, the first installment of reduced tax for the calendar year 1942 is to be paid on or before March 15, 1944, the second on or before March 15, 1945, and the third on or before March 15, 1946.

Subsection (c) relates to the treatment of payments made before September 1, 1943, by individuals subject to the provisions of subsection (a), on the basis of the unreduced income-tax liability for taxable years beginning in 1942. Such payments are to be considered as payments on account of the estimated tax for 1943, previously discussed, and hence of the income-tax liability for that year. Thus, in the case of an individual on the calendar-year basis, the amount of the payments made on or before March 15, 1943, and on or before June 15, 1943, on account of his unreduced 1942 tax liability, shall be considered as having been made on account of the estimated tax for 1943, and of the income-tax liability for that year and not on account of the 1942 tax. However, interest and additions to the unreduced 1942 tax shall not be considered as paid on account of the estimated tax for 1943. If, prior to September 1, 1943, the Commissioner should have granted an extension of time beyond August 31, 1943, for the payment of the unreduced 1942 tax liability, or any installment thereof, such tax or installment of tax shall be paid notwithstanding the provisions of subsection (a). Any such payment shall also be considered a payment on account of the estimated tax for 1943.

Subsection (d) provides further relief when it is shown to the satisfaction of the Commissioner that the payment of any installment of reduced 1942 tax upon its due date will result in undue hardship to the taxpayer. In such case the Commissioner may grant an extension of time for the payment of such installment for a period not in excess of 18 months and, in exceptional cases, for an additional period of not more than 18 months. Extensions shall be granted under regulations prescribed by the Commissioner with the approval of the Secretary. If an extension is granted, the Commissioner may require the taxpayer to furnish a bond in an amount not in excess of double the amount of the installment, with such sureties as the Commissioner deems necessary, conditioned upon the payment of the installment in accordance with the terms of the extension. Interest shall be paid, and collected as a part of the tax, at the rate of 6 percent per annum for the period of the extension in the case of an installment the time for the payment of which is extended. No other interest shall be collected on such installment for the extension period. If such installment is not paid in accordance with the terms of the extension, interest on the unpaid amount at 6 percent per annum shall be payable for the period from the time fixed by the terms of the extension for its payment until it is paid, and no other interest shall be collected on such unpaid amount for such period.

DISCOUNT FOR ADVANCE PAYMENT OF DEFERRED 1942 TAX

Section 6 allows a discount for advance payments of the reduced 1942 tax. This discount is to be allowed as a credit against the income-tax liability for the individual's taxable year beginning in 1942. The discount shall amount to 6 percent of the reduced 1942 tax if such reduced tax is paid on or before the fifteenth day of the

twenty-seventh month following the beginning of the taxable year beginning in 1942; or 2 percent if the first installment is timely paid and the last two installments are paid on or before the 15th day of the thirty-ninth month following the beginning of such taxable year. To illustrate: If the reduced tax liability for the calendar year 1942 is \$300, and the entire amount of the liability is paid on or before March 15, 1944, a discount of \$18 (6 percent of \$300) will be allowed, so that the taxpayer's reduced 1942 liability will be discharged by the payment of \$282. If the taxpayer should pay the first installment of \$100 on or before March 15, 1944, and then pay the remaining two installments on or before March 15, 1945, a discount of \$6 (2 percent of \$300) will be allowed, so that the taxpayer's reduced 1942 liability will be discharged by the total payment of \$294.

ADDITIONAL ALLOWANCE FOR MILITARY AND NAVAL PERSONNEL

Section 22 (b) (13) of the code makes provision for an exclusion from gross income in the case of personnel below the grade of commissioned officer in the military and naval forces of the United States. The amount to be excluded under this provision is not to exceed \$250 in the case of a single person and \$300 in the case of a married person or head of a family and applies only to salary or compensation received for active service in the armed forces during the present war.

Your committee in section 5 of the bill proposes to amend section 22 (b) (13) of the code to effect an exclusion from gross income in the case of military and naval personnel, without distinction as to rank, with respect to the compensation received during any taxable year and before the termination of the present war as proclaimed by the President for active service during such war. The amount so excluded is not to exceed the excess of \$3,500 over the personal exemption claimed under section 25 (b) by the member of the military or naval forces. If such member is married and living with his spouse on the last day of the taxable year, and his spouse is not a member of the military and naval forces, the amount of the exclusion is not to exceed the excess of \$3,500 over the personal exemption claimed by both the spouse and the member of the military or naval forces. Thus, if such member and his wife each claims a personal exemption of \$600 on separate returns, and his wife is not a member of the military or naval forces, the additional amount to be excluded in the case of such member is \$2,300, that is, the excess of \$3,500 over the combined personal exemption claimed by such member and his wife. Under this provision, the amount of such compensation which may be excluded from gross income in the case of a married person is the same regardless of whether joint or separate returns are filed and regardless of the property laws of any State.

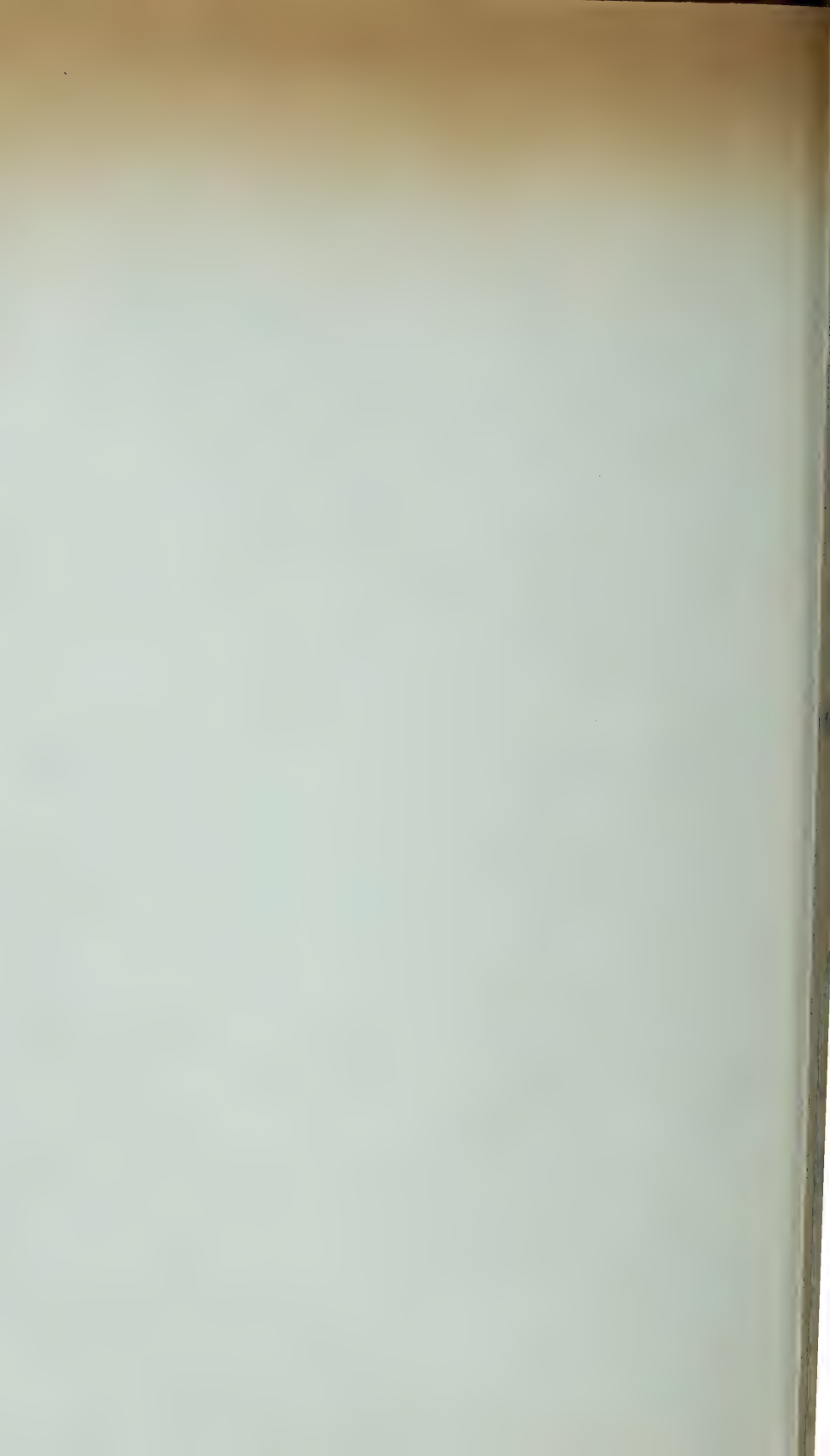
The amendment would apply with respect to all compensation received after December 31, 1941, by a member of the military or naval forces of the United States for active service in such forces.

ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES IN YEAR OF DEATH

Supplement U relieves a member of the military or naval forces of the United States who dies in active service from the liability for the tax imposed by chapter 1 for the taxable year in which falls the date

of his death. In addition thereto, the supplement provides that any tax imposed under chapter 1 or under the corresponding title of any prior revenue act (including interest and additions to the tax) which is unpaid as of the date of death shall not be assessed. If any such tax, interest, or additions to the tax have been assessed and are unpaid at the date of death, such assessment or assessments shall be abated. If the amount of any such liability which was unpaid as of the date of death is collected subsequent to such date, the amount so collected shall be credited or refunded as an overpayment. This amendment becomes effective with respect to such persons dying on or after December 7, 1941.





were posthumous awards) up to and including March 15, 1943. The list of the recipients, with a brief summary of the service for which each award was made, will be found in the CONGRESSIONAL RECORD for March 23, 1943 (pp. 2342, 2343, and 2344).

That recognition, however, is not sufficient. Figures submitted by the Navy Department of casualties in the merchant marine show that, as of February 23, 1943, there were 509 dead and 3,108 missing.

A report (CONGRESSIONAL RECORD, March 23, 1943, p. A1471) by Admiral Land, War Shipping Administrator, earlier in the year shows a toll of nearly 4 percent dead and missing during the first year of America's participation in the war, while, as emphasized by Admiral Land in that report, the casualties of the armed services during the same period amounted to less than 1 percent of their total number. Attention should be called to the fact that the casualty rate of the merchant marine does not include injuries. The percentage in the merchant marine list exceeded any armed service.

When reporting the bill to the House on March 29, 1943, Congressman JACKSON, who reported the bill, said:

The purpose of the bill is to provide for the issuance of a device in recognition of the services of merchant sailors.

There was considered in the Seventy-seventh Congress a bill (H. R. 7548), introduced by Hon. FRANCIS E. WALTER, whereby it was provided that the Secretary of Commerce was directed to cause to be prepared suitable emblematic devices which should be bestowed upon the officers and members of the crews of merchant vessels sailing in war zones, with further provision that no award of said devices shall be made to any person until sufficient evidence of his deserving shall be furnished and placed on file under such regulations as might be prescribed by the Secretary of Commerce.

Hearings were held on the bill so introduced, and numerous suggestions were made. The patron of the bill, Hon. FRANCIS E. WALTER, an officer in the United States Naval Reserve, after a service of 6 months with the naval forces in the present war, appearing in support of the bill, said:

"This is not a novel idea. The merchant marines of other nations have awarded their sailors similar devices. It was my experience to see and talk with many merchant sailors during the 6 months that I had the privilege of serving in our naval forces during the present conflict, and perhaps that has made me very sympathetic, but no one can meet these men and talk to them and see the burns they received on vessels that have been torpedoed which compelled them to swim in seas aflame without feeling that our Nation ought to award them some sort of distinctive device.

"Now, in addition to that, we are going to experience more difficulty every day in manning our merchant vessels not only because of the large number of vessels that are going over the ways every day but because men are just a little bit hesitant about engaging in this very hazardous vocation.

"It seems to me that the least our Nation can do is to give them some sort of a device which they can wear as a mark of distinction. This is not an award for meritorious service but it is a device that will take the place of the uniform that other men in the service wear, and the wearer won't be compelled to explain why he is not in uniform. I feel that the men who would be entitled to wear this device are performing services as dangerous and praiseworthy as those being performed by the men in the armed forces."

Numerous witnesses appeared in support of the proposed bill (H. R. 7548). Thereafter the bill was referred to the Maritime Commission for report, and Admiral E. S. Land, Chairman, United States Maritime Commission, and Ad-

ministrator, War Shipping Administration, submitted a report dated December 22, 1942, a copy of which is appended to this report. There was submitted with the report the draft of legislation proposed by the Maritime Commission and the War Shipping Administration, and on January 6, 1943, the chairman of this committee introduced that draft of H. R. 132, a copy of which is appended to this report and follows the report of Admiral Land, Chairman and Administrator above referred to.

Under date of February 1, 1943, Chairman Land submitted a further report, which is appended hereto and follows the reports above cited.

Subsequently hearings were held on the above bill (H. R. 132) and, while there was unanimity of opinion among the members of the committee as to the propriety and desirability of reporting favorably legislation to carry out the general purposes of H. R. 132, diverse suggestions were made with the result that a special subcommittee of members, consisting of Messrs. JACKSON (chairman), CAPOZZOLI, KING, BRADLEY, and VAN ZANDT, was created to consider all suggestions made and prepare an appropriate bill which would meet the views of the War Shipping Administration, the Maritime Commission, and the committee members. The subcommittee, after careful consideration of the various proposals and suggestions, unanimously agreed upon H. R. 2281, which was then introduced by the chairman of the committee. The Committee on the Merchant Marine and Fisheries has considered the bill (H. R. 2281) and report favorably thereon without amendment and recommend that the bill do pass.

The bill (H. R. 2281) carries out the purposes graphically and eloquently presented to the committee by Hon. FRANCIS E. WALTER, when he appeared before the committee in the Seventy-seventh Congress.

By Public Law No. 524, Seventy-seventh Congress, approved April 11, 1942, provision was made for the award of medals to each person in the American merchant marine who, on or after September 8, 1939, has distinguished, or during the war should distinguish, himself by outstanding conduct or service in the line of duty.

Under the authority of that legislation there have been 15 presentations (3 of which were posthumous awards) up to and including March 15, 1943. The list of the recipients with a brief summary of the service for which each award was made, will be found in the CONGRESSIONAL RECORD for March 23, 1943 (pp. 2342, 2343, and 2344).

That recognition, however, is not sufficient. Figures submitted by the Navy Department of casualties in the merchant marine show that, as of February 23, 1943, there were 509 dead and 3,108 missing.

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The report of Admiral Land referred to in the preceding paragraph will be found in the Appendix of the CONGRESSIONAL RECORD under date of March 23, 1943 (pp. A1471 and A1472). Moreover, about three-fourths of the offshore seamen are always at sea. Theirs is the first line. They have pledged that the ships shall sail, and ships are sailing to far-flung outposts in all parts of the world. That pledge is being kept to the letter and with the fidelity of a sacred oath.

The devices provided by this bill are but slight recognitions for the splendid work of

the men of the American merchant marine. The intrinsic value of each device is small, but it should prove an heirloom of great value—a badge of honor and of glory.

Mr. Speaker, supplementing what Mr. Jackson had to say in his report, I may add that the intrinsic value of each device may be small, but it should be a rich heirloom of honor and glory for generations yet to come. It is an heirloom of honor and of glory, which those receiving should cherish throughout life:

And, dying, mention it within their wills, Bequeathing it as a rich legacy Unto their issue.

CALL OF THE HOUSE

Mr. PATMAN. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 58]

Arnold	Hart	Rogers, Calif.
Barden	Hays	Rowe
Bates, Mass.	Hoeven	Sadowski
Bradley, Pa.	Hope	Sasser
Burch, Va.	Izac	Schwabe
Carson, Ohio	Jackson	Sheridan
Case	Johnson, Okla.	Simpson, Ill.
Chenoweth	Kunkel	Slaughter
Creal	Lambertson	Somers, N. Y.
Crosser	Lanham	Steagall
Culkin	Lemke	Sumner, Ill.
Dies	McGehee	Talbot
Dirksen	Magnuson	Thomas, N. J.
Ditter	Maloney	Tracyway
Drewry	Marcantonio	Van Zandt
Elmer	Morrison, La.	Wadsworth
Felghan	Mott	Weaver
Fellows	Mruk	Weichel, Ohio
Furlong	Newsome	Wene
Gearhart	Norton	Whelchel, Ga.
Gibson	O'Konski	White
Gilchrist	O'Toole	Wiley
Gillie	Peterson, Ga.	Wilson
Gossett	Phillips	Winter
Guyer	Pittenger	Wolverton, N. J.
Hagen	Rockwell	Worley

The SPEAKER. On this roll call 355 Members have answered to their names, a quorum.

Further proceedings under the call were dispensed with.

EXTENSION OF REMARKS

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD, and include therein an address made here in Washington by Hon. Roan Waring, National Commander of the American Legion.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. KEOGH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD, and include therein an address made recently in Brooklyn, N. Y., by James A. Farley.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

[The matter referred to appears in the Appendix.]

CURRENT TAX PAYMENT BILL OF 1943

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes; and pending that, I ask unanimous consent that general debate proceed until 4 o'clock today and consume not to exceed 2 hours tomorrow, that the debate be confined to the bill, and that the time be equally divided and controlled by the gentleman from Minnesota [Mr. KNUTSON], and myself.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 2570, with Mr. BULWINKLE in the chair.

The Clerk read the title of the bill.

The first reading of the bill was dispensed with.

Mr. DOUGHTON. Mr. Chairman, I yield myself 25 minutes.

(Mr. DOUGHTON asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. DOUGHTON. Mr. Chairman, a little over a month ago our Committee on Ways and Means reported to the House a bill which provided for the collection of taxes at the source and contained a method whereby taxpayers, desiring voluntarily to do so, might become current in their tax payments. As a complete substitute for our committee bill, the distinguished gentleman from Kansas [Mr. CARLSON], offered a revised version of the Ruml plan, about the fourth version, calling for the complete forgiveness of 1 year's taxes. These two propositions, after being fully discussed, were rejected by the House and our committee bill was recommitted for further consideration and action.

We interpreted this action on the part of the House as a mandate to our Committee on Ways and Means to report back a bill which avoids so far as possible the features of these two bills which the House objected to. If I understand the temper of the House, our committee bill was rejected because it did not go far enough toward making taxpayers current in their tax payments, and the Carlson-Ruml bill was rejected because it provided too large an amount of forgiveness. The mandate to us, then, was to prepare and report a new bill which would make taxpayers as nearly current as reasonably possible, but which would not contain the evil of forgiving completely 1 year's taxes as provided in the Ruml-Carlson bill. Our committee realized fully its obligation and duty to meet this objective and has endeavored to do so as expeditiously as possible. I believe the bill which we have reported meets the objections which led to the rejection of the previous bills and, I believe, if understood, will be found satisfactory and acceptable to the House and the taxpayer.

The difficulties of the problem which confronted our committee are now apparent to every Member of this body. It is impossible to achieve any satisfactory degree of currency without making the current tax burden too heavy unless the 1942 tax liabilities are materially reduced, or spread over a long period of time, or canceled. I have expressed my views on the complete forgiveness of a year's taxes, and a majority of our committee and the membership of this body have demonstrated their opposition to complete forgiveness. There were, then, two other avenues left open to us, namely, a partial cancellation of 1942 taxes or a spread of these liabilities over a number of years. There are many cogent reasons why the 1942 liabilities should not be spread over too long a period of time, the most important of which is that this tax money should be collected while the current of incomes caused by our war spending program is at full flood. To collect the entire 1942 liabilities over a short period of time would prove too burdensome. Therefore, it seemed to us that the best solution of this problem, in view of the recent action of the House, was to cancel a portion of the 1942 liabilities and to collect the balance over a comparatively short period with the administrative authority to extend the time further in cases of hardship.

Having arrived at this conclusion, it was necessary to select a measure of partial cancellation which would apply with equity and fairness to the various classes of taxpayers and to determine the period over which the remaining tax liability for 1942 should be discharged by the taxpayers without subjecting them to an unbearable burden.

The 1942 act, providing greatly reduced exemptions and very substantially increased rates, was not enacted until late in the fall of 1942. Seven million new taxpayers, thus, had no previous notice that they were taxable on their 1942 incomes until almost 10 months of the taxable year had passed. Moreover, persons who were already subject to income tax were unable to ascertain the increase in their 1942 burden under this act until the bill finally became law in the latter part of October. We all recognize that taxpayers are entitled to be forewarned of their tax obligations by being given reasonable notice so that preparation can be made to meet their increased burden. This is especially true when the rate increases and exemption decreases are as great as those provided in the 1942 act. We are now convinced that the retroactive application of the 1942 act was a mistake, as I had realized for some time. Honesty and consistency impel anyone to admit and rectify a mistake as soon as it is discovered.

In the light of these considerations, it was decided that the best solution of this perplexing problem and one which is fully justifiable is to eliminate for 1942 this increased burden upon those taxpayers already subject to income tax and to cancel it entirely in the case of the 7,000,000 new taxpayers brought in by the 1942 act. By removing this unanticipated burden for the year 1942 we will have relieved

taxpayers of tax obligations totaling almost \$5,000,000,000, or one-half of their 1942 tax burden. What measure of partial cancellation could be fairer than the rates and exemptions which would have been applicable for 1942 had the Revenue Act of 1942 not been made applicable to that year? The 7,000,000 new taxpayers will be relieved of their total liability for the year and the old taxpayers will be relieved to the same extent and in the same manner as the 1942 act increased their burden. The increases under the 1942 act were much larger in the lower and middle brackets than in the upper brackets. This was true since the upper bracket rates were already about as high as we could safely go. Consequently, in applying the 1941 rates and exemptions to 1942 incomes, less will be taken off in the upper brackets where the least increase was made by the 1942 act, and more will be taken off in the lower brackets where that act made the greatest increases. In other words, our measure of cancellation of 1942 liabilities is in direct ratio to our measure of increase in the 1942 rates over those applicable for 1941.

Under the bill, the uncanceled portion of 1942 liabilities is spread over a 3-year period. In the case of a calendar year taxpayer, one-third is payable on or before March 15, 1944; one-third on or before March 15, 1945, and one-third on or before March 15, 1946. Thus to the current tax liabilities for each of the years 1943, 1944, and 1945 will be added one-third of the uncanceled portions of the 1942 liabilities. Amounts already paid in 1943 on account of the 1942 liabilities will be credited against the liabilities for 1943. These amounts may be prepaid if the taxpayer so elects. If he discharges the entire uncanceled portion of the 1942 liabilities by March 15, 1944, he is given a 6 percent discount and if he pays up in full by March 15, 1945, a 2-percent discount. If, on the other hand, these payments are not made on their due date, 6 percent interest is payable on the unpaid amounts.

This bill places all taxpayers on a pay-as-you-go basis, as nearly as possible, for 1943 and subsequent years. It does this by two methods. First, withholding of tax at the source at the rate of 20 percent on all wages and salaries in excess of credits and exemptions allowable. It should be distinctly understood that this withholding is not an additional tax but only a means of collecting existing taxes. These withholding provisions are identical with those contained in our previous bill and in the Ruml-Carlson bill. Of the 44,000,000 taxpayers, about 30,000,000 derive practically all of their income from wages and salaries which do not exceed the first surtax bracket. This group will be made current, or as nearly so as possible, by the withholding provisions, since practically all of their tax will be deducted from their pay.

Secondly, the remaining 14,000,000 taxpayers, which includes the self-employed, persons receiving income from property and other nonwage income, and those with wage and salary incomes extending beyond the first surtax bracket, are placed on a current basis by requiring them to declare their estimated income

near the beginning of their taxable year and to make quarterly payments on that basis throughout the year.

The withholding provisions were fully discussed in our previous considerations and, I am sure, are so well understood as to require no further explanation here. I shall explain in broad outline, however, the provisions of our bill which place the self-employed and the larger wage earners on a pay-as-you-go basis, and will outline the methods by which the uncanceled 1942 liabilities are to be discharged.

For convenience in discussion we may divide our taxpayers into two general classes, the first of which consists of persons whose incomes are solely from salaries and wages and do not extend beyond the first surtax bracket; and the second of which is made up of individuals with incomes from salaries or wages which extend into the second surtax bracket, or higher, and persons who are self-employed or who are the recipients of income from property, such as dividends, interest, or rents. With respect to the 30,000,000 taxpayers in the first class, withholding at the source alone will accomplish full pay as you go.

All other persons fall into the second class and are required to declare their estimated income on March 15 of each year. Of course, they are also subject to withholding if they receive wages or salaries, just as are those persons in the first class. Their tax liability, as disclosed by their declaration, to the extent that it is not collected at the source, must then be paid by them in quarterly installments on March 15, June 15, September 15, and December 15. On March 15 of the next year, then, they will make, as must also those taxpayers in the first class, a final return for the year which will disclose the correct final tax payable for the year.

If during the year it develops that the estimates which the taxpayer made in his declaration on March 15 are erroneous, a corrected estimate may be made either upward or downward and the subsequent tax payments are increased or reduced accordingly.

These provisions place the small wage earner, the large wage earner, the self-employed, and the recipient of income from property on a substantially comparable basis by requiring each of them to pay currently.

The situation of our farmers is substantially different from that of any other class of income-tax payers. His income is never realized until his harvest and the sale of his crop which, generally, is in the latter part of his taxable year. To require farmers early in their taxable years to attempt to estimate their income and tax liability would, we believe, impose an undue hardship. Consequently, for this class of taxpayers, the bill provides a special treatment under which no declaration of estimated tax payment is required until the last month of the taxable year. This treatment is limited to persons 80 percent or more of whose gross income comes from farming.

The provisions of the bill thus require some increases in payments until the uncanceled 1942 tax is discharged. We feel, however, that this is completely jus-

tifiable. The reduction of the 1942 tax liability will make the extent of the increased payments relatively slight. The amount of cancellation ranges from 100 percent in the lowest income group to about 10 percent in the highest group which will be further increased if the taxpayer takes advantages of the discounts allowed under the bill. A married man with a \$1,500 income will have no increase. A married person with a net income of \$5,000 will pay an additional amount of \$119.20 a year for each year of the 3-year period. A \$10,000 man will pay an additional amount of \$430.64 for each year of the 3-year period, while these increases may cause the uncanceled 1942 tax, plus the current liability, to exceed 1 year's income in some of the higher brackets, it should be remembered that the tax is paid out of several years' income and that most of the taxpayers in the higher brackets have accumulated savings to pay these taxes. In such cases there is no increased burden whatever. Moreover, the taxpayer can pay this tax in three installments without interest, the first installment not being due until March 15, 1944, which should give him ample time to prepare to meet this obligation. If payment of any installment will result in undue hardship, the Commissioner may grant additional time, not to exceed 3 additional years, upon the payment of 6 percent interest. These increased payments are believed justifiable at the present time because of the great need for increased revenue and the desire of the taxpayer to become current in his tax payments. Of course, any increase of tax payments should be taken into account in determining whether it is necessary or advisable to further increase the individual tax burden.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. DONDERO. What happens to the taxpayer who has paid one-half of the 1942 taxes? Will he be given 3 years for the payment of the last half?

Mr. DOUGHTON. Whatever is paid in 1943 will be credited against 1943 tax liabilities. The uncanceled portion of the 1942 tax liability is payable one-third in 1944, one-third in 1945, and one-third in 1946.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. CRAWFORD. In addition to that statement which the gentleman from North Carolina has just made, if my friend from Michigan [Mr. DONDERO] pays his 1942 tax liability on March 15, 1944, in full, he gets the 6-percent discount.

Mr. DOUGHTON. He gets the 6-percent discount, just as any other taxpayer would.

Mr. CRAWFORD. And the payments we made on March 15, and the ones that we will make on June 15, next month, will, under the gentleman's bill, apply on the 1943 tax liability?

Mr. DOUGHTON. Yes.

Mr. CRAWFORD. Then our withholding tax July 1 to December 31 will also apply on our 1943 tax liability?

Mr. DOUGHTON. Yes.

Mr. CRAWFORD. And thus as of December 31 we will be current, as far as 1943 is concerned.

Mr. DOUGHTON. You will be current just as far as you can anticipate, and final settlement will be on March 15 of the next year.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. COOPER. And in further reply to the gentleman from Michigan, by the end of 1943, of the 44,000,000 American taxpayers, 30,000,000 will become current by collection at the source.

Mr. DOUGHTON. Yes.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

Mr. DOUGHTON. Mr. Chairman, I yield myself 10 minutes more.

Mr. McLEAN. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes; for a question.

Mr. McLEAN. The gentleman from Tennessee [Mr. COOPER] says that under this statement, by the end of 1943 all taxpayers will be current. I am sure that he did not mean that, because he does not take into consideration the 1942 unpaid taxes, which you undertake to collect in 1944, 1945, and 1946.

Mr. DOUGHTON. The gentleman from Tennessee is speaking of the 30,000,000 who discharged their full liability by having 20 percent of their income collected at the source.

Mr. COOPER. Of course these deferred payments are not due until 1944. The first payment on that is not due until 1944.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. Yes, for a question.

Mr. KNUTSON. Of course the House should remember—

Mr. DOUGHTON. Oh, if the gentleman wants to make a speech, I do not yield.

Mr. McLEAN. Mr. Chairman, will the gentleman yield to me?

Mr. DOUGHTON. For a question.

Mr. McLEAN. I would like to further understand the gentleman from Tennessee in his statement that your bill seeks to make the taxpayers current at the conclusion of the tax year of 1943.

Mr. DOUGHTON. It will make him just as current as any other bill will. There never will be a bill that will make every one of the taxpayers absolutely current. It is a humbug to say that you can make every taxpayer current, and nobody knows it better than the distinguished gentleman from New Jersey.

Mr. McLEAN. I do not want to excite the gentleman. I simply want to understand about the matter.

Mr. COOPER. Allow me to state it in this way. By the end of 1943, of the 44,000,000 income taxpayers, 30,000,000 will become current by paying their taxes through the withholding of tax at the source.

Mr. McLEAN. What portion—

Mr. DOUGHTON. I decline to yield further.

Mr. McLEAN. What portion of that tax—

Mr. DOUGHTON. The gentleman is talking in my time, and I decline to yield.

Mr. McLEAN. If the gentleman does not want to clarify it now, we will clarify it later.

Mr. DOUGHTON. Oh, the gentleman need not lose his head. He had better keep cool. There is no use losing your head. That is a sign of a lost cause when you lose your head. I do not yield further. I will yield to the gentleman if he will ask me a question, but I will not yield for him to get into a colloquy with the gentleman from Tennessee. I do not think that would be helpful at all.

The CHAIRMAN. The gentleman from North Carolina declines to yield.

Mr. McLEAN. Will the gentleman yield?

Mr. DOUGHTON. I decline to yield because I do not have time.

The CHAIRMAN. Does the gentleman yield to the gentleman from New Jersey?

Mr. DOUGHTON. I said I would yield for a question. He wants to make a speech, and I do not yield for that purpose. The gentleman can make his own speech in his own time, if he has any speech to make.

Mr. McLEAN. May I ask a question? Mr. DOUGHTON. Not now. You lost your time for that. I am not going to have my time taken up by a filibuster.

I hope I have made a satisfactory explanation of our bill. If not, I will say that we will not vote on this until tomorrow, and if the explanation I have made is not sufficient, I suggest that the Members read the committee report. It contains a full explanation of what our bill proposes to accomplish, and what it will accomplish if it is adopted and enacted into law.

Now I come to the latest version of the Ruml-Carlson plan, which I never saw until this morning.

Mr. CRAWFORD. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. CRAWFORD. May I ask one other question? How many of the 44,000,000 taxpayers liable under the 1942 act as now calculated, will be eliminated from any tax liability on 1944 income by reason of applying the 1941 rates and 1941 exemptions and credits?

Mr. DOUGHTON. About 7,000,000.

Mr. CRAWFORD. About 7,000,000 of the 44,000,000 will be canceled out completely, without even having to pay any kind of a tax?

Mr. DOUGHTON. Their liability is entirely abated, yet it is said that our bill is one that is harder on the weak than on the strong. My objections to the Ruml-Carlson plan previously rejected by the House are well known, as they were stated in my remarks on the floor when the previous bills were under consideration. However, I feel that I should summarize the fallacies and the heterodoxy of this iniquitous tax policy.

Its adoption would be unjustifiable at any time, but at this time when our Nation is fighting for its very life, when taxpayers are enjoying the largest incomes, wages, and salaries since the foundation of this Government, to forgive anything like an entire year's tax, in my judgment

is not only unjustifiable but is absolutely unthinkable. I cannot understand why anybody can urge that such a course should be pursued at a time like this.

Among the many reasons why I oppose this legislation are the following:

First. The Ruml plan, which the minority has taken to its bosom, would grant complete tax forgiveness to all taxpayers for 1 year's taxes. In effect, it would repeal the income-tax law for 1 year and collect only 1 year's taxes out of 2 years' income, at a time when taxpayers are or have been enjoying the largest income in our history and the Government is in its direst need of revenue.

In other words, it would repeal the income tax for 1 entire year, for one of the years 1941, 1942, or 1943, all war years, when incomes are larger and salaries and wages are higher than in all the history of this country; and that cannot be successfully disputed. Of course, they have a little dope in there—

Mr. KNUTSON. Will the gentleman yield?

Mr. DOUGHTON. I do not yield to my distinguished friend. We only have 2 or 3 hours today and 2 hours tomorrow.

Second. Its adoption would be seriously injurious to the morale of our people, especially those in the armed forces, since it would result in economic gain rather than sacrifice on the home front. It would cause taxpayers to think the payment of taxes is not an important matter but one to be treated lightly.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield for a question.

Mr. KNUTSON. Will the gentleman at this point please tell the House just how much revenue the Treasury will lose under the Ruml plan this year, next year, and the following year?

Mr. DOUGHTON. Oh, how much will you lose in all? How much will the taxpayer gain? How much will the taxpayer be forgiven? How much will they never pay? If you forgive any year's tax, then will it ever be paid? If it is never paid you know the Government loses.

Mr. COOPER. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER. In answer to the question of the gentleman from Minnesota, [Mr. KNUTSON], the Treasury estimate is that for the years 1942, 1943, and 1944 the Treasury will lose more than three and one-half billion dollars under the Carlson bill as compared with the committee bill.

Mr. KNUTSON. That statement is not true.

Mr. DOUGHTON. Well, it is true.

Mr. COOPER. It is true.

The CHAIRMAN. The time of the gentleman from North Carolina has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield myself 5 additional minutes.

Mr. EATON. Just as a confused layman, I am puzzled to know if you forgive a year's taxes in the committee bill.

Mr. DOUGHTON. We cancel that part of the tax, attributable to the in-

creases made by the 1942 act, of which the taxpayers had no knowledge until that act was passed late in 1942. We do that because the House had said by its previous votes on this subject that it thought there should be some measure of forgiveness. That is all the forgiveness one can possibly justify, and it can be justified on the ground that a taxpayer is entitled to know as early as possible what he has to pay.

Mr. EATON. Will the gentleman tell me why it is all right to forgive half of the taxes and wicked to forgive all of them?

Mr. DOUGHTON. The gentleman knows himself that there is a difference between paying a tax that you have knowledge of a year ahead and paying a tax that is imposed on you at the end of the year of which liability you had no knowledge and could have had no way of making preparation to pay. I am sure the gentleman understands it; I know he comprehends it, that he realizes it and appreciates it.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I cannot yield; time for debate is very limited on this bill.

Mr. HOFFMAN. I just want to find out about that \$3,000,000,000.

Mr. DOUGHTON. The gentleman can find out about that from some of his associates.

Mr. Chairman, I was talking about the Ruml plan when I was interrupted and had got down to the antiwindfall provision. The new version of the Ruml-Carlson plan contains a so-called antiwindfall provision, but Mr. Chairman, that is a superficial treatment of a fundamental evil.

Third. The Ruml plan will produce an unjustifiable windfall to persons in the higher brackets, especially those making unusual profits during the war years, enriching them at the expense of their Government and fellow taxpayers. The cost of these windfalls must eventually be borne by persons in the middle and lower brackets and by future taxpayers, many of whom will be our returning soldiers, sailors, and marines.

The added windfall provision of the latest version of the Ruml-Carlson plan is a delusion and a subterfuge. The big windfall, and the one which our committee bill avoids, is the total forgiveness of one full year's taxes, whether it be for 1941, 1942, or 1943, all years in which extra profits were made and increased wages and salaries received on account of the war. The treatment given in the substitute bill as to added windfalls is but superficial treatment of a fundamental evil or difficulty. It is the creation of a blister to cure a cancer. It is the straining at a gnat and the swallowing of a camel. It is the loss of dollar by the collection of a dime or a cent.

Fourth. Its greatest benefits would go to those least deserving them and its greatest burdens would fall upon the backs of those least able to bear them. The 60 taxpayers with incomes of \$1,000,000 would each receive an unjust enrichment of at least \$854,000. At one stroke, the Ruml plan would add to their wealth

more than they would save in 6 years if they saved every cent of their income after taxes. I cannot too strongly emphasize that if this tax subsidy is granted to the strong and able, the weak and less able will have to foot the bill.

Fifth. It is a delusion to those in the lower and middle brackets who do not realize that such a tax forgiveness will have to be borne by them in increases in the subsequent years. This burden will also fall heavily upon the new taxpayers, who will receive no benefit at all from complete cancelation of a year's taxes and may in future years receive no increased income on account of the war, but may receive much less income.

There are a hundred valid reasons why the Ruml-Carlson plan should not be adopted, and not one single sound reason justifying its adoption: And I trust that it will be overwhelmingly rejected and killed so dead that it will never again be resurrected.

Mr. KNUTSON. What is the difference between swallowing a camel and swallowing a crow?

Mr. DOUGHTON. The gentleman is an expert on asking questions that a philosopher could not answer and that he does not know anything about himself. This is a discussion of a tax question about which honest men may differ. In my original statement when the other bill was under consideration I said that I did not question the sincerity or honesty of the minority members of my committee, and I do not now. I do question the philosophy and the soundness of their position; but here is what they say about us, here is what they say about the majority members of the Ways and Means Committee:

The majority members of the Ways and Means Committee not only have strenuously resisted our efforts to bring about the enactment of the Ruml-Carlson plan, but have sought, by a campaign of misrepresentation and demagoguery, to discredit it in the eyes of the Congress and the people.

And then over on the next page of the report, not satisfied with that, they repeat the same thing:

Rejection of the Ruml-Carlson plan by a narrow margin at that time can be traced almost solely to the unprincipled assault by the Democratic majority, which was based, not on fact or appeal to reason but on specious and demagogic premises.

The CHAIRMAN. The time of the gentleman from North Carolina has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield myself 5 additional minutes.

Mr. Chairman, they say our bill is very difficult to understand, to explain, to comprehend. I ask the Clerk to read from page 9 of the minority report, beginning with subsection (b), the explanation of a portion of the Carlson plan, and after you listen to it I ask you what you think of that explanation. If our bill is complex and difficult to understand it will be absolutely impossible to understand the Carlson bill. I ask the Clerk to read, and if you can understand it I wish you would get up and tell me what it means.

The CHAIRMAN. Without objection, the Clerk will read.

There was no objection.

The Clerk read as follows:

(b) Taxpayers with substantial income whose 1942 and 1943 incomes are substantially greater than 1941 income: Section 2 (c) of the substitute contains a special rule for the case in which both the 1942 and 1943 incomes are more than \$5,000 in excess of the 1941 income.

The following example explains this provision and illustrates how it will operate:

Example: Taxpayer whose income as a result of the war has increased to \$1,200,000: John Smith, single, had a surtax net income for 1941, 1942, and 1943 as follows: 1941, \$100,000; 1942, \$1,200,000; 1943, \$1,000,000. Thus both his 1942 and 1943 income are greatly in excess of his 1941 income of \$100,000. His 1943 war profits will be taxed as part of his 1943 income at the existing rates, and the tax thereon will be paid currently in 1943 out of his 1943 income. If any of his 1941 income represented war profits, that was taxed under the 1941 law, and the tax thereon paid out of 1942 income, but the 1941 tax so paid was small in relation to the income of 1942 out of which it was paid. Section 2 (c) of the substitute is designed to prevent the abatement of the 1942 tax from resulting in the abatement of taxes attributable to his war profits in 1942, which have borne only a small tax burden in relation to the 1942 income. Section 2 (b) has already added to his 1943 tax the amount by which his 1942 tax exceeds his 1943 tax, so the portion of his 1942 income to which such excess is attributable is already taxed under section 2 (b) of the substitute. Hence the only portion of his 1942 income which thus far under the substitute has not borne its just tax burden is the portion thereof which is greater than the 1941 income and not greater than the 1943 income, with an allowance of \$5,000 for reasonable fluctuations in income. This portion is the excess of \$1,000,000 (the part of the 1942 income which is not greater than the 1943 income) over \$105,000 (the 1941 income plus \$5,000), or \$895,000. Under section 2 (c) this \$895,000 is taxed at the regular normal and surtax rates, resulting in a tax of \$762,740, which is added to the 1943 tax computed under existing law and section 2 (b) of the substitute. The taxpayer may get an extension of time not exceeding 3 years to pay this additional amount.

Mr. DOUGHTON. The taxpayer will need that additional 3 years to understand that explanation.

Mr. KNUTSON. That is the minority report; that is the reason.

Mr. DOUGHTON. Yes; that is it; it was not meant to mean anything; it does not mean anything. Nobody on earth can understand it; you cannot explain it in 3 years so the average man can understand it. Then they talk about gifts to the taxpayers and the committee bill being complicated.

The CHAIRMAN. The time of the gentleman from North Carolina has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield myself 2 additional minutes.

Here is some more inconsistency. On page 3 of the minority report it is stated:

While the committee bill soaks the rich it also soaks most of the rest of the taxpayers, as is apparent from the burden tables which appear in the appendix to this report, to which we invite careful attention.

It says that the committee bill soaks the rich. Now, turn over to the next page

of the same minority report where it is stated:

This discount plan would be of benefit to few, if any, of the taxpayers in the lower-income brackets, to whom the payment of a single year's taxes in a given year is already a serious financial burden. On the other hand, it would amount to a lush bonus to the wealthy or fortunate few.

We "soak" them, and we give them a "lush bonus," according to which page of the minority report you happen to be reading. Now, the gentlemen will explain that.

That, Mr. Chairman, is an example of the inconsistency, the ridiculous inconsistency, of this minority report from one end to the other. But it is the very best they could do. I do not accuse my friends of being demagogues. They have brought back here practically the same bill that was defeated before, which is almost in contempt of the House. We did not bring back the same one. I believe we have obeyed the mandate of the House and in obeying the mandate of the House we have brought out the fairest and the most equitable one to both the taxpayers and the Government that could possibly be evolved.

Under leave to extend my remarks I insert the following letter from Mr. Randolph Paul, general counsel of the Treasury Department:

GENERAL COUNSEL,
TREASURY DEPARTMENT,
Washington, May 3, 1943.

HON. ROBERT L. DOUGHTON,
Chairman, Ways and Means Committee,
House of Representatives,
Washington, D. C.

MY DEAR MR. CHAIRMAN: In considering the tables of estimated income-tax liabilities sent to you today, it may be helpful to have before you in simple form a comparison of 1942 tax liabilities under present law under H. R. 2570, and under the latest Carlson variation of the Ruml pay-as-you-go plan. Tax liabilities with respect to 1942 incomes total \$9,815,200,000 under present law. The special exclusion treatment for incomes of the armed forces under both H. R. 2570 and the Carlson plan would reduce liabilities by \$363,900,000 for the calendar year 1942, leaving \$9,451,300,000 tax liabilities after allowing for such exclusion.

Under H. R. 2570 the remission of 1942 income-tax liabilities amounts to \$4,671,600,000 of the total \$9,451,300,000. Under the Carlson plan the whole \$9,451,300,000 is remitted, but this remission is offset to the extent of \$916,400,000 by two special provisions, one estimated to yield \$455,900,000 and the other estimated to yield \$460,500,000, a total of \$916,400,000. The net remission under the Carlson plan is thus \$8,534,900,000.

In terms of tax liabilities remaining after remission, H. R. 2570 leaves subject to collection a 1942 tax liability of \$4,779,700,000, while under the Carlson plan the amount subject to collection would be \$916,400,000. These figures do not take into account the discounts provided in H. R. 2570 for prompt payment.

The above figures may be tabulated in summary form as follows:

	Millions of dollars
Individual income tax liability, 1942, present law.....	9,815.2
Reduction in liability due to exclusion of \$3,500 service pay of armed forces (H. R. 2570 and Carlson plan).....	363.9
Remaining 1942 liability.....	9,451.3

	Millions of dollars
Remission under H. R. 2570.....	4, 671. 6
Subject to collection under H. R. 2570.....	4, 779. 7
Remission under Carlson plan.....	9, 451. 3
Offsets:	
Where 1943 income is less than 1942.....	455. 9
Where 1942 and 1943 incomes are greater than 1941.....	460. 5
Total offsets.....	916. 4
Net remission Carlson plan.....	8, 534. 9
Subject to collection under Carlson plan.....	916. 4

I will be glad to furnish any further information that you may desire.

Sincerely yours,

RANDOLPH E. PAUL,
General Counsel.

Mr. KNUTSON. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, the distinguished chairman of the Ways and Means Committee stated that he did not question the integrity or good intentions of the minority group of that committee. I want to return the compliment. The majority group is made up of honest, hard-working, sincere men, and far be it from me to question their sincerity. I merely question their good judgment.

The bill that was brought out, and I am speaking now of the majority bill, is a most confusing document. I do not wonder that it confused the Secretary of the Treasury and the general counsel of the Treasury. The author of the bill himself is confused over just what it means as was shown by the colloquy that took place a few moments ago. I shall not attempt to explain the majority bill because, in common with others, I do not fully understand it. By compromising principle, the majority attempts to do an impossible thing, and I know the people are bitterly disappointed in the product that they have brought to the floor for your consideration today.

Mr. Chairman, in view of the extensive debate on this subject which was held a few weeks ago anything more that may be said upon the subject would of necessity be more or less repetitious except as it might deal with changes in the present committee bill over the previous committee bill and with the modifications which have been made in the Ruml-Carlson plan which will be offered by the minority as a substitute for the present bill at the proper time.

In their previous bill the Democratic majority of the Ways and Means Committee turned their backs on the pay-as-you-earn objective and reported to the House a makeshift bill which made no taxpayer current except by paying 2 full years' taxes in 1 year. That measure it will be recalled was overwhelmingly rejected by the House on March 30. At that time, however, the House came within a few votes of adopting the Republican-sponsored Ruml-Carlson plan as a substitute for the committee measure, notwithstanding the specious and demagogic criticism of the plan made by the majority members of the committee.

It is to be hoped that the House in reconsidering at this time the issues at stake will be permitted to resolve the question solely on the basis of fact and merit.

While the previous action of the House on this matter failed to settle the issue, at least some progress has been made. No longer is there any question of whether personal income taxes for 1943 and subsequent years shall be collected currently. The majority of the committee, in reporting their new measure to the House, has conceded that point. Thus the committee bill, insofar as it applies to 1943 and subsequent years, now has exactly the same provisions as the Ruml-Carlson plan. The only difference between the two measures is with regard to the treatment of the 1942 tax liability.

In deciding between the two measures, the House needs to determine only two matters:

First. Whether the transition to a current collection basis shall be accomplished without added burden to the taxpayers, as provided in the Ruml-Carlson plan, or whether it shall involve the payment of more than 1 year's tax in a given year, as provided in the committee bill; and,

Second. Whether collections shall become fully current immediately, as provided in the Ruml-Carlson plan, or at a date several years hence, as would be the case under the committee bill.

The bill which the majority of the Ways and Means Committee has presented is an attempt to compromise on a question of principle. It was written under duress. The majority had previously taken a stand in stubborn resistance to any abatement of the 1942 assessment in connection with shifting to a current collection basis. After their position had been repudiated by the House, and I may say by an overwhelming majority of the American people, they were under pressure from all sides to bring the matter of pay-as-we-earn legislation back to the House for reconsideration.

I can understand, and you gentlemen on our side should sympathize with, the predicament in which the majority members of the committee find themselves. They have heard from home. The letters they have received were not altogether laudatory or commendatory. I received a number of carbon copies of letters that were addressed to the majority members of the committee, so I know whereof I speak.

The majority's present bill is not the product of reason. Rather it is a hybrid measure representing a compromise between stubborn adherence to an unsound position on the one hand and political expediency on the other.

The majority have gotten themselves into their untenable position by viewing the question of the abatement of 1942 assessment as if it necessarily involved a complete loss of revenue to the Treasury, which, of course, it would not, since it would be offset by moving forward by 1 year the time for the 1943 assessment and all future assessments to be paid. The Treasury will collect \$3,000,000,000 more

revenue under the Carlson plan than under existing law.

I do not think even the gentleman from North Carolina would attempt to dispute that statement. So it follows that, instead of the Treasury losing revenue under the Carlson plan, it will gain \$3,000,000,000 by moving the tax clock forward 1 year.

The fact is that if 1943 taxes are made payable currently, then the collection of all or any part of the 1942 assessment is just that much additional burden on the taxpayers, and it is in this realistic and practical light that the Republican minority have viewed the question. This explains the diametrically opposed viewpoints of the Republican and Democratic Members regarding the abatement question and makes clear why these viewpoints cannot be reconciled or compromised.

Under the committee bill, it is proposed to abate approximately \$4,400,000,000 of the \$9,800,000,000 1942 assessment, which means that the remaining \$5,400,000,000 of the 1942 liability will have to be paid in addition to current taxes.

You will recall how the majority Members referred to the Carlson bill in very uncomplimentary terms and one dear brother went so far as to call it sinful. Since then the majority have compromised with sin and they have gone halfway. It must be that they think there are different grades of sin—big sins and little sins. In my reading of the Scripture I have never found any passage where sin is graded like grain or cotton or some other commodity, but evidently the majority feel it is a relative matter, and they have gone halfway. Of course, that is encouraging, because it shows that the majority not only have heard from home but they are opening their eyes. It is to be regretted that they saw fit to bring in a bill that no one understands, not even the Treasury Department. I do not know whether the Treasury experts drafted the bill or not, but if they did, they have not come forward to claim the credit, and I do not blame them.

It reminds me of the story Bill Nye used to tell. He was traveling on a train through Indiana. The train came to a little town and stopped. A couple were standing out on the platform. They kissed each other good-bye and the lady got on the train. In a little while she came over and sat down beside Mr. Nye and started to talk to him. She said, "That was my husband I just left at the station." And Bill said, "If that had been any relative of mine, I would gladly refrain from saying so."

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield for a question?

Mr. KNUTSON. I yield.

Mr. CRAWFORD. May I ask the gentleman what provisions in the Ruml-Carlson bill—

Mr. KNUTSON. The gentleman from Kansas [Mr. CARLSON] will explain his bill. I am analyzing the committee bill, and it is a hard job, because I gave up criminal practice a long time ago.

The CHAIRMAN. The time of the gentleman from Minnesota has expired. Mr. KNUTSON. Mr. Chairman, I yield myself 10 additional minutes.

Under the committee bill, the unabated portion of the 1942 liability would be collected over a period of 3 years, in addition to current taxes for those years. This would result in the addition of approximately \$1,800,000,000 annually to the personal income-tax burden during this period. In other words, there would be that much doubling up each year for 3 years.

The abatement of the 1942 liability under the committee bill is not on the same basis for all taxpayers. Some would receive an abatement of as much as 100 percent and some as little as 10 percent. Thus the committee bill would discriminate unfairly between taxpayers, and would require the greatest degree of doubling-up where, under the progressive rate schedule, the burden is already the greatest.

The committee bill involves an even more retrogressive scale of abatement than is embraced in the so-called Robertson-Forand plan, which heretofore has been criticized by some of the staunchest supporters of the committee bill because of this feature. In the upper brackets it will result in an outright capital levy by taking over 100 percent of the taxpayer's income each year for 3 years. On page 7 of the minority report there is a table showing the additional burden by various income levels. That table discloses that the point at which the committee bill would take over 100 percent of the taxpayer's income for each of the next 3 years, is somewhat below the \$250,000 level. On a \$250,000 income a \$10,000 capital levy is imposed in addition to taking 100 percent of the current income for each of 3 years. On \$500,000 the tax exceeds the income by \$57,000 for each of the next 3 years. On a million dollars it exceeds the income by \$144,000 each year. Even at the \$50,000 level, 70 percent of the current income would be taken for taxes each year over a 3-year period. I hold no brief for those in the upper brackets, but if this be a democracy all should be treated fairly.

If the committee bill does not amount to a capital levy in the upper income brackets, I will be glad to yield to the chairman of the Ways and Means Committee to explain to the House just what it does do.

Mr. COOPER. It certainly does not do that. The gentleman said that neither he nor anyone else understood the committee bill, so how is he prepared to analyze it?

Mr. KNUTSON. Because there are patches that are lucid, especially the provisions relating to doubling up. When I said that nobody understood it, I meant that the bill as a whole is so involved and so interwoven and everything else that even the distinguished chairman of the committee could not answer some of the questions that were asked him when he had the floor.

Heretofore, the only people who have stood for capital levies are the Communists, the Nazis and the Fascists. These groups are no doubt pleased to

have the Democratic members of the Ways and Means Committee join their ranks.

The majority members of the committee attempt to defend their abatement plan by saying that they are reducing the 1942 tax to the extent it was retroactively increased under the 1942 revenue bill. This contention may offer them some face-saving solace in retreating from their previous position in opposition to the abatement of any part of the 1943 assessment. However, the fact is that while they would, in effect, recompute the 1942 liability on the basis of the 1941 rates and exemptions, they would nevertheless require taxpayers to pay this reduced liability in addition to current taxes over the next 3 years, which means a substantial added burden on taxpayers.

Under the Ruml-Carlson plan all taxpayers will be made immediately current without any doubling-up in their tax payments. But under the committee bill most of the present taxpayers could only become current by a substantial doubling-up in their payments during the next 3 years, and they could only become immediately current by paying 2 year's taxes in 1 year—the 1941 tax applied to 1942 income, plus the 1943 tax. Would not that be a doubling of taxes? Surely it would, and that is what we Republicans are seeking to avoid.

Not only does the committee bill pile an additional tax burden on the already overburdened taxpayers during the next 3 years, but by deferring until March 15, 1946, the time within which most taxpayers would be fully current in their payments, the committee bill defeats the main objective of a current collection system, which is to relieve taxpayers of any overhanging income-tax debt.

We should not forget that the compelling motive for placing income-tax payments on a current pay-as-you-earn basis has been the necessity of preparing for the day when the war ends and millions of taxpayers will be jobless or on reduced incomes. If the income tax is not then on a fully current basis millions of persons, mostly in the lower income brackets, will have hanging over them a full year's tax liability at a time when they may have nothing but relief checks out of which to pay it.

Unless the majority can say definitely that the war will continue until 1947, then they have failed to meet this problem, since it will not be until then that taxpayers will be fully current under their plan.

The majority recognize this inherent weakness in their plan when they offer liberal discounts if taxpayers discharge in advance the additional tax burden which is imposed upon them by the committee bill. However, this discount plan would be of benefit to only a relatively few well-to-do persons, who may have sufficient funds on hand to pay more than 1 year's taxes in 1 year. These well-to-do persons will get their 6 percent interest under the committee bill, but the great masses of the taxpayers, who are mostly in the lower income brackets and who are already having a difficult time meeting

their present tax liability, will be unable to avail themselves of any such advantage unless they choose to borrow the money from loan companies who in some States charge as much interest as 3 percent and 3½ percent per month.

Aside from the fact that the committee bill's discount provisions would be a bonus to the wealthy, they may be criticized from the further standpoint that they would require the Government to pay 6 percent interest for the use of money it could otherwise borrow for 2¼ percent or less. Also their plan is a direct invitation to taxpayers to cash in their War bonds to take advantage of the 6 percent interest allowed for prepayments of the installments on the additional tax burden under the committee bill.

As contrasted with the simplicity of the Ruml-Carlson plan, both in its essential features and its operation and administration, the committee bill would entail numerous administrative complications. Simplicity was obviously thrown out the window when it was drawn. As is stated in the minority report:

Recomputation of the 1942 tax assessment on the basis of 1941 rates and exemptions, plus a 3-year spread of this overhanging liability, plus the discount features, plus the fact that some people will be partially current, others wholly current, and some not current at all during certain stages in the tax melee, can only lead to the conclusion that in the committee bill we have the tax lawyer's dream and the loan shark's "seventh heaven". The latter, especially, will do a rush business when hard-pressed taxpayers discover that the Democratic majority's bill "to provide payment currently of individual income taxes, and for other purposes" has actually raised their taxes by nearly five and one-half billion dollars or 50 percent.

Now, may I say a few words in regard to the parliamentary situation that will probably develop. I should like to have the attention of the Members so that they may know what to look for and not be taken by surprise as they were on March 30. I think this is quite important, and I beg the indulgence of the House for just a few moments while I call attention to it.

Only one substitute proposal will be offered by the minority, and that is the Ruml-Carlson proposal as modified, copies of which are available at the desk in printed form. The issue here is between our proposal and the committee bill, and Members may just as well face that fact when they cast their votes tomorrow.

Mr. FORAND. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to my good friend from Rhode Island.

Mr. FORAND. I do not believe the gentleman should leave the impression that that will be the only substitute offered, because the gentleman from Virginia [Mr. ROBERTSON] and I still have a substitute which we hope to offer. We feel confident the Ruml-Carlson bill will be defeated and we shall have an opportunity to offer our substitute.

Mr. KNUTSON. If the gentleman will recall, he had his substitute ready on March 30, and a parliamentary situa-

tion developed that left so many of your Members hanging on the end of a limb that it was necessary for you folks to report out a new bill in order to get them back onto terra firma.

Mr. FORAND. The gentleman will admit that the motion to recommit without any further consideration was made on the Republican side, will he not?

Mr. KNUTSON. Yes, but our motion was not made until the Speaker was about to put the question on the final passage of the committee bill. We did not foreclose you from offering your motion. That was done by your Democratic colleagues when they moved the previous question on the committee bill. That same situation might conceivably develop again, and if it does we must act accordingly.

Mr. FORAND. You assume the responsibility.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Michigan.

Mr. CRAWFORD. Can the gentleman inform the House whether or not a motion to recommit is expected to be made on this bill?

Mr. KNUTSON. That depends upon what is before the House on the question of final passage. If the committee bill is the only choice, then, of course, we would offer the Carlson substitute as a motion to recommit.

Mr. CRAWFORD. Does the gentleman mean to inform us that should the Ruml-Carlson substitute fail of adoption, a motion to recommit will probably be offered?

Mr. KNUTSON. If the Ruml-Carlson plan is not adopted, we will offer a motion to recommit, but I do not anticipate that it will be defeated, so this discussion is more or less academic.

Beginning on page 8 of the minority report, there appears a full and detailed explanation of the revised Ruml-Carlson plan. Time will not permit me to discuss its various provisions. Other members of the committee, particularly the able gentleman from Kansas [Mr. Carlson] and the equally able gentleman from Illinois [Mr. Dewey] will do so in their remarks.

The main features of the plan are well understood by the House, and it is not necessary for me to explain it further.

In offering the Ruml-Carlson plan, the Republican minority are simply attempting to make good the previous assurance given by the Treasury and the Democratic majority last winter that they would join with us in enacting a plan to put personal income taxes on a current pay-as-we-earn basis this year.

The Democratic majority chose to ignore the pledge, therefore it was necessary for the Republican minority to bring in a bill to make their promise good; and this we have done by offering the Ruml-Carlson proposal. Our sole objective is to make taxpayers current, so that they will not be called upon, when they lose their jobs or suffer a reduced income, or die, to pay a fat year's taxes in a lean year. Under our plan they will pay their tax as they earn the money rather than 1 year afterward,

when in most instances the money has been spent.

The Ruml-Carlson proposal is not just a temporary expedient. Rather, it would substitute for the present antiquated collection system a current collection system which is designed not only to give taxpayers a method of meeting their present high burden with a minimum of hardship and a maximum of convenience, but to put the income tax on a more sound basis so far as the Treasury itself is concerned. It would set up a modern, streamlined collection system which would endure as long as the Republic stands.

To those who felt that the former Ruml-Carlson bill did not make sufficient provision for recapturing so-called windfalls and war profits, let me say that the Ruml-Carlson substitute for the committee bill, which will be offered tomorrow, has been modified to bring the antiwindfall provisions down to the \$5,000 taxable income level and to tax at the full rates any swollen war income in the year which would otherwise be abated under the plan. In other words, there will be no abatement under the modified Ruml-Carlson plan on that portion of any income which represents over \$5,000 of swollen war profits. Also, where the taxable net income exceeds \$5,000, the tax for 1943 will be based on whichever of the 2 years' income—1942 or 1943—is the higher.

These provisions are fully explained in the minority report on page 8. The committee bill, I might point out, has no such provisions against "windfalls" or the escape of war profits from their fair share of the tax burden.

During the consideration of the previous legislation on this subject, much was said about the benefits that would accrue under the Ruml-Carlson plan to "the 60 families," meaning, of course, the 60 wealthiest taxpayers. As I recall, the President estimated it would be in the neighborhood of \$50,000,000. In order to set their minds and consciences at rest, let me say to the squeamish Democratic majority that any benefit which those 60 families might receive under the Ruml-Carlson plan would not occur until the death of the taxpayer, and then the Federal estate tax, which embraces returns up to 70 percent, would recapture any benefit which might then accrue.

For fear of benefiting 60 taxpayers, the Democratic majority are willing to punish 37,000,000 other taxpayers, the overwhelming majority of whom are made up of farmers, factory workers, office workers, small businessmen, and professional people, with incomes in the lower brackets.

How does the attitude of the Democratic majority on this matter square with their breast-beating declarations throughout their history as a party, that they favor the "greatest good for the greatest number"?

All this talk of "forgiveness" under the Ruml-Carlson plan is a misnomer. If it has any application at all, it is only in an accounting or bookkeeping sense, since the abatement of the overhanging 1942 liability is simply to clear the way for advancing by 1 year the time within

which the 1943 liability, and that for all future years, must be paid.

In brief, what the Ruml-Carlson plan does is simply to change the basis of 1943 tax payments from the 1942 income to 1943 income. The Ruml-Carlson plan would actually bring in \$3,000,000,000 more revenue to the Treasury this year than would the present law, since it would collect 1943 taxes on the basis of the \$13,000,000,000 1943 assessment, rather than on the \$10,000,000,000 1942 assessment.

We did not lose any sunshine when the President turned the clock ahead 1 hour, and we will not lose any revenue if the tax clock is turned ahead 1 year, so that taxes will be paid currently instead of in the year after the income is earned.

The revenue will continue to flow into the Treasury without interruption. Thus, under the Ruml-Carlson plan, the Treasury in the next hundred years would continue to collect 100 year's taxes, and in a thousand years it would collect a thousand year's taxes. The only difference would be that when the Treasury closes its books at the crack of doom, it would still have as an uncollected and uncollectible item a year's tax liability owing from the people if the present year-behind collection system is continued. Whereas, under the Ruml-Carlson plan it would not. Of course, under the circumstances stated, this book asset would have no value anyway.

In the final analysis the abatement under the Ruml-Carlson plan would merely be a bookkeeping transaction, which has been very aptly illustrated by the gentleman from Illinois [Mr. Calvin Johnson] who likens the situation to a string of boxcars of indefinite length each containing 1 year's tax receipts, one of which will be unloaded at the Treasury each year. The whole question boils down to whether the first boxcar shall be numbered 1942 or 1943. It is as simple as that.

In the debate on the previous Ruml-Carlson plan, the Democratic majority not only shuddered at the thought of any abatement of the 1942 liability, but called it sinful. Since then the Democratic majority have swallowed their qualms and embraced sin. They now think it is all right to be 50 percent sinful, which is quite a concession to popular demand and the imperative need of the Treasury. If the abatement of the 1942 liability is wrong in principle, then the majority's present bill is indefensible, because it involves an abatement of \$4,400,000,000. But if it is right in principle to abate half the 1942 assessment, then it is right to go the whole way, particularly when no loss of revenue is involved, and when by so doing there is no doubling up in anyone's tax payments.

Considering the statements the Members of the majority have heretofore made with reference to the question of abatement, I feel I must compliment them on at least having gone as far as they have in the matter. To use a common expression, they have had to eat a lot of crow.

In this connection, it is interesting to note that Canada, where income taxpayers have heretofore been on what is

tantamount to a 50-percent current basis, the Government has recently taken action to abate the remaining half of the 1942 liability, so that 1943 taxes can be collected on a current basis with no doubling up.

In proposing the change to the Canadian Parliament, the Finance Minister said:

The adoption of the pay-as-we-earn plan, together with the other changes associated with it, will increase our revenues in the next fiscal year and in subsequent years. It may seem strange at first sight that a rearrangement which involves canceling some tax liabilities and making no increase in tax rates could somehow increase our tax revenues. The reason is that we replace the canceled liabilities by bringing forward the taxes to be paid in all future years.

Nowhere in the Finance Minister's full statement was there any suggestion that the abatement of the remainder of the 1942 assessment would in any way threaten the solvency of the Canadian treasury, or discriminate unfairly as between taxpayers.

Canada has in effect adopted the principal of the Ruml-Carlson plan 100 percent. Since we in the United States are a full year behind in our collections, we must abate the entire overhanging tax liability of 1942 as provided in the Ruml-Carlson plan in order to accomplish the same end with no doubling up.

In this country two of our States, Washington and Wisconsin, have made the transition to a current basis without requiring taxpayers to double up in their payments.

The committee bill is neither a satisfactory nor a straightforward method of achieving currency in tax payments.

The Ruml-Carlson plan is the only plan which will give the people a real pay-as-you-earn tax system, and they will not be satisfied with anything short of it.

The Ruml-Carlson plan is based on reason and common sense. It is as sound as it is simple.

It accomplishes the objective of placing taxpayers on a current pay-as-you-earn basis immediately, and not at some distant time.

It involves no doubling up in payments.

It treats all taxpayers equitably, and is the only plan which abates the 1942 assessment on the same progressive principle by which it was imposed.

It is easy to understand, and easy to put into operation, and to administer.

It is the only plan which meets every problem squarely, openly, fairly, and honestly.

At the first opportunity, a motion will be made to substitute the Ruml-Carlson plan for the committee bill, and I feel sure that it will receive the approval of the House.

It will be supported by practically 100 percent of the Republican membership, and I am confident that there will be a substantial vote in favor of the substitute on the Democratic side. I understand that a strong appeal has been made to the Democratic majority to present a solid front in favor of the committee bill, but this is a matter of such vital concern to so many people, that I

cannot believe such an appeal will have any effect, at least among the more enlightened and less partisan members of the majority, who put welfare of country above party loyalty.

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Chairman, I would much prefer not to have any forgiveness of outstanding tax liability at this critical time of our Nation's struggle for existence, but I realize that pay-as-you-go tax legislation is desirable, and in order to accomplish that objective, it is apparent that some measure of compromise is necessary.

The element of compromise enters into the consideration and enactment of almost all important legislation, and this is certainly true of tax legislation. It has been my privilege to participate very actively in the preparation and the passage of every tax bill for the last 12 years, and I know that every one of those measures has finally been enacted into law as a result of compromise. The law as it stands today, enacted last year, includes many provisions that I opposed in committee and fails to include some other provisions that I favored. Tax legislation is always the result of compromise of views.

The bill H. R. 2570 is now under consideration by the House as a result of a compromise of the conflicting views of a majority of the members of the Committee on Ways and Means. When viewed from a practical standpoint, I believe it presents the fairest and most equitable method of accomplishing the objective of placing individual taxpayers on a pay-as-you-go basis. The title of the bill states:

To provide for the current payment of the individual income tax, and for other purposes.

As a member of the committee it will be my purpose to follow my usual custom of endeavoring to explain the provisions of the bill, and after I have done so briefly, I shall be glad to yield to questions on the bill as far as my limited time will permit.

Forty-eight of the 60 pages of the bill are the same as H. R. 2218, and the Carlson bill, which were recently considered by the House. From page 1 to page 46 are the provisions for withholding and collection at the source. The last 2 pages cover the special tax treatment for members of the armed forces. These provisions are the same in the committee bill and the Carlson bill, and there is no controversy about them. So, certainly, my distinguished friend from Minnesota [Mr. KNOTSON] should have had no difficulty in understanding 48 of the 60 pages of the bill, as they are exactly the same as were contained in the two bills recently considered by the House and as in the present Carlson bill. The remaining 12 pages, from page 46 to page 58, of H. R. 2570, constitute the new part of the bill covering the transition period from the present income tax system to a pay-as-you-go. This is accomplished by applying the 1941 rates and exemptions to the 1942 income and

canceling the difference, which amounts to about one-half of the 1942 liability, or about \$5,000,000,000.

Let me give you a simple example to try to illustrate clearly the effect of this provision. Let us take the case of a man with \$2,500 of net income. That is getting down where you find a great many people of this country. When you fully analyze and understand what a program will do for the small man, you can have a pretty clear understanding as to how it will apply all along the line. We take a man with a net income of \$2,500, which is \$100 more than \$200 a month, or \$50 a week, and as I say, there are a great many in that group in this country. Under the 1942 tax law, that \$2,500 man will have to pay a tax of \$232.

Mr. DONDERO. Single or married?

Mr. COOPER. A married man with no dependents. Under the 1941 rate and exemptions he would have to pay a tax of \$90. That man understands the difference between \$232 and \$90. There is not any doubt that he will understand. He is forgiven \$142 under this committee bill, and he will understand that. It means that instead of being called upon to pay \$232 under the present 1942 act, he will be called upon to pay only \$90, and is forgiven the debt of \$142, or in other words, he is forgiven 61.2 percent of his 1942 tax liability. This is a fair and equitable method of dealing with this problem. It takes it off by rates and brackets just as it was put on. It will be remembered that in 1941 we were called upon to raise three and a half billion dollars additional revenue. That resulted in the 1941 act. In 1942 we were called upon to raise \$7,000,000,000 additional revenue, which was just double the amount that we were called upon to raise the year before, and the request of 1942 resulted in the enactment of the 1942 revenue act.

By adopting this method of applying the 1941 rates and exemptions to the 1942 income, 7,000,000 new taxpayers will be entirely let out. It will be recalled that in 1942 we reduced the exemptions from \$750 for a single person and \$1,500 for a married person to \$500 for a single person and \$1,200 for the married person. That reduction in the exemption brought in 7,000,000 new taxpayers who had no way of anticipating or knowing that they would be required to pay any income tax, and, remember, that meant a single person making \$10 a week and a married person making \$23 a week, and required them to file an income-tax return. The committee bill allows those 7,000,000 under the very low brackets income taxpayers to be let out. The 1942 bill was enacted on October 21, 1942, and was made retroactive to January 1. The small taxpayers had no way of knowing that they were to be included and required to pay a Federal income tax, and many other taxpayers had no way of knowing what the increase would amount to. Therefore, it is felt by the members of your committee supporting this bill, H. R. 2570, that this is the fairest and best way that this difficult problem can be approached.

The remaining part of the 1942 liability is amortized over 3 years, or longer, if

necessary, to prevent hardship. Three equal payments—the first, March 15, 1944; the second, March 15, 1945; and the third, March 15, 1946—without any interest. There is a discount of 6 percent provided for the 1942 deferred liability if it is paid by March 15, 1944. A discount of 2 percent if the 1944 one-third payment is made, and also if the taxpayer desires to pay the remaining other two deferred payments. Take the example of the \$2,500 man which I used a few moments ago. See how it applies to him. He has \$142 of his 1942 tax liability canceled. That means that \$90 is all that he has to pay for his 1942 tax liability. If he wants to pay that \$90 by March 15, 1944, he gets the discount of 6 percent. On the other hand, he can pay \$30 on March 15, 1944, \$30 on March 15, 1945, and \$30 on March 15, 1946, without any interest at all.

It does seem that that is fair treatment, because that means after he is forgiven \$142 of his 1942 liability, he only has \$90 remaining and has 3 years within which to pay that, if he wants to pay one-third each year. There is no doubling up for the year 1943 in this committee bill. Not a penny of doubling up, as far as the year 1943 is concerned, under this committee bill, because the first one-third of the deferred 1942 liability is not due and payable until March 15 of next year.

So this year of transition, the most important year to the taxpayers of this country, when we are trying to shift from our present income-tax system to a pay-as-you-go basis, is the most important. It is the most important year of transition. There is no doubling up for any taxpayers during this year of 1943.

Taxpayers will not have to be bothered by calculations. A formula is included in the bill for use of the Commissioner of Internal Revenue, and he will mail the taxpayer a statement. The taxpayer does not have to bother about recalculating his tax on 1941 rates and exemptions and applying it to the 1942 income. The formula included in the bill is for the use of the Commissioner of Internal Revenue. He makes the calculation and simply mails a statement to the taxpayer of what the adjustment is.

The withholding of 20 percent on wages and salaries to begin July 1, 1943, is the same in the committee bill, in the Carlson bill and the same as were in the two bills recently considered by the House. There is no controversy about them.

With respect to current payment on tax not collected at the source, I would like to point out that persons receiving wages subject to withholding, in the amount of \$2,700 if single and \$3,500 if married, will have substantially their full tax liability discharged by collection at the source. H. R. 2570 provides the means by which all other persons also are placed upon a current basis. Persons deriving wages and salaries in excess of the amounts noted, and all other persons with incomes subject to tax, except farmers, receiving at least \$100 of such other income, are required to declare their estimated tax on March 15 of each year and to pay

the estimated tax in quarterly installments or earlier. The estimated tax is the estimate of the income tax and Victory tax liability after allowing for the estimated credit for collection at the source, if any. Provision is made for the taxpayer to revise the declaration of the estimated tax each quarter and to ratably increase or decrease the remaining installments. A special rule applies to farmers whose estimated gross income from farming is at least 80 percent of the total estimated gross income from all sources. In their case the declaration of the estimated tax may be made at any time on or before the 15th of December. Farmers are not required to pay in installments, but they may voluntarily elect to do so.

In order to protect the Treasury against undue estimates of taxes, persons other than farmers are required to pay currently at least 80 percent and farmers at least 66⅔ percent of their final tax liability. Where current payments fall short of these percentages a penalty of 6 percent of the excess of the final tax over the estimated tax paid currently is added.

Now, I am sure we will readily see that this plan as embraced under the committee bill provides a method for all of the 44,000,000 taxpayers of this country to be paying their Federal income tax currently by the end of 1943. Thirty million of those 44,000,000 taxpayers will be made current by reason of the withholding and collection at the source.

It might be of interest if I would take a moment to try to explain the way that we understand this method is to operate. In effect, it means that the beginning of the calendar year, or up to March 15, just as the old system has always provided, a Federal income taxpayer is required to file his income-tax return. That means that an extra sheet will probably be added to the form. On that extra sheet he will make out his estimate of his income for the calendar year. Using his own methods of arriving at whatever that estimate may be, he will provide on that one sheet of the form his estimated income for that calendar year, and based on his own estimate, he will pay that tax to the Government quarterly during that calendar year.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. COOPER. He may revise his estimate or his declaration at any quarterly period that he wants to, either raising it or lowering it, during the taxable year. But by December 15 he must have paid not less than 80 percent of his estimated tax.

Bear in mind what we are starting out to try to accomplish is to get people current; get them on a pay-as-you-go basis. That means you have to pay as you go along during the current calendar year. So that by December 15 of that calendar year the taxpayer is supposed to have estimated and paid not less than 80 percent of his income tax for that year. The remaining 20 percent he pays by the following March 15.

So that in the case of all taxpayers other than farmers and other than those whose liability is fully discharged by the withholding and collection at the source, they make their own estimate and pay their tax quarterly along during the year.

In the case of the farmer, we realize that conditions obtain with respect to agriculture that do not obtain in other lines of business; so we have a special provision for farmers. It is to a great extent along the lines of the Canadian system and it means in practical effect that the farmer may pay any time any amounts he wants to along during the calendar year but by December 15 of that calendar year he must have paid at least 66⅔ percent of his tax for that year; then he pays the remaining one-third by the following March 15.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. GIFFORD. Will the gentleman tell us the effect of the bill on those in the higher brackets who have had added every year for 3 years this added tax? It will take more than their entire income of those years to pay it, will it not?

Mr. COOPER. No.

Mr. GIFFORD. Explain it. The gentleman explained the \$2,500 case. Now explain just as fully the case of the man who pays \$50,000. Let us not dodge that now.

Mr. COOPER. I am not dodging at all.

Mr. GIFFORD. The gentleman spoke of the \$2,500 man. It is not fair to drop it there. Take the \$50,000 case and explain it just as fully.

Mr. COOPER. The gentleman does not state it correctly. If the gentleman will examine the committee report, he will find tables that show in plain figures how it operates.

Mr. GIFFORD. It is there, yes; but it is very convenient to take the \$2,500 case and say nothing about the \$50,000 man. Explain that.

Mr. COOPER. The \$50,000 man pays \$25,328 under the 1942 act; he pays \$20,439 under the 1941 act; he is forgiven \$4,889 under the committee bill.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. WHITTINGTON. In that very connection I may say to the gentleman from Massachusetts that we are dealing with taxes for 2 years, 1942 and 1943. As long as the aggregate of those taxes is less than the aggregate of the income there can be no such thing as a capital levy; is not that true?

Mr. COOPER. The gentleman is absolutely correct. If the gentleman will look at the tables in the report he will see that it is absolutely true.

It should be borne in mind all the time that the taxpayer has 2 years of income.

Mr. WHITTINGTON. If the gentleman will yield for this further question in that connection; then, with respect to a capital tax is it not true that under the substitute bill supported by the minority there will be an increase in the assets of every taxpayer of 1 year's taxes, which is a capital gain?

Mr. COOPER. That is true; there is no doubt about that.

FULL FORGIVENESS A SUBSIDY TO THE HIGH-INCOME GROUPS

Since the discussion of pay-as-you-go taxation started many weeks ago I have listened to innumerable arguments on whether it is equitable to forgive a whole year's tax for everyone. On one side of that argument have been those who said that to cancel a larger percentage of tax for one taxpayer than for another taxpayer would be intolerable and class legislation. If the taxpayer with the smallest income has a year's tax canceled, this argument went, then every other taxpayer, from bottom to top, must have a year's tax canceled. If a taxpayer with a \$1,000,000 income is to have only one-fifth of his tax canceled, then, it was claimed, no other taxpayer could in fairness have any more than one-fifth of his tax canceled. Only in this way, it was claimed, would the principle of our progressive tax system be carried into effect in the forgiveness.

On the other side of the argument have been those who pointed to the fact that a taxpayer with a \$1,000,000 income would have forgiven him \$854,000 while a taxpayer with a \$3,000 income would have forgiven him a tax of \$324. Is it fair, they asked, for one taxpayer to be forgiven more than another? Should not the Government, when it makes gifts to people, give equally to all, or at any rate, not more to the higher income groups than to the lower-income groups? As a matter of fact, I did not hear anyone seriously argue this way before our committees, but the argument appeared in press stories and editorials in exaggerated form in the course of bitter criticism of anyone who did not agree that the fair way to forgive is to forgive all a whole year's tax, large or small.

To me the issue of what is fair to forgive is the heart of this whole problem. In my opinion the advocates of complete forgiveness have been the victims of an error in thinking—a very understandable error; but nevertheless a very serious error. That error has arisen because they have thought of a man's actual income as his gross salary or other amounts which he receives. They have failed to grasp the fact that while this is the apparent income it is not the actual income. Under our tax laws a salary of \$10,000 does not mean that we have \$10,000 to spend or save as we see fit. Before we have any right to call that income our own we must pay the income taxes which the very act of receiving the money has made us liable for. My own State of Tennessee does not have an income tax; if it did I would have to deduct that tax from my apparent income before I arrived at my actual income. The Federal Government does have an income tax. I must deduct that tax before I arrive at the figure of what my actual income is. On the basis of 1942 tax rates a single man with \$10,000, disregarding deductions, is liable for \$2,390; his actual income is \$2,390 less than his apparent income. The income which he has within his control to spend or save is not \$10,000 but \$7,610. A married man with no dependents with the same \$10,000 income is liable for a Federal income tax of \$2,152; his actual income is \$2,152 less

than his apparent income; the income which he has within his control to spend or save is not \$10,000 but \$7,848.

Now, let us see what this is at other income levels. At \$2,000 the married man with no children owes 1942 tax of \$140 and has actual income under his control of \$1,860.

At \$5,000 such a man is liable for \$746 tax and has an income under his control of \$4,254.

At \$50,000 his tax is \$25,328 and the income under his control is \$24,672.

At \$100,000 his tax is \$64,060 and the income under his control is \$35,940.

At \$1,000,000 his tax is \$854,000 and the income under his control is \$146,000.

You will recall that this same effect of taxes on income came up in the discussion of the \$25,000 salary limitation. A person to have \$25,000 income under his control would have to receive in 1942 an apparent income of \$67,200 so the limit on salaries was not \$25,000 but \$67,200.

If we want to see the effect of tax forgiveness, we must level on these incomes after taxes, these real incomes, which the taxpayer controls and can spend or save. For 30 years there has been no such thing as an income above exemptions without its accompanying tax liability. The only exception is that special tax-exempt income from State and local governments that has been a matter of debate before this House on many occasions. For all other incomes the tax liability comes into existence along with the income. When we consider tax forgiveness we cannot properly make a comparison with income before taxes, because ever since 1913 the very existence of income has always created a tax liability. It is the income after tax, not the income before tax, that is the proper basis of comparison.

This basis of comparison puts the matter of forgiveness in its true light. If we cancel a tax of \$10,000 for a person who had income after taxes of \$20,000 we would be increasing his income by one-half. We would in effect be putting 6 months' income in his pocket.

Now, the trouble with forgiving a year's taxes is that it does not forgive 6 months' or 1 month's or any other amount of actual income for each taxpayer. It treats different taxpayers very differently.

The \$2,000 man, whose actual income after tax is \$1,860, would have \$140 added to his \$1,860, or slightly less than 4 weeks' actual income.

The \$5,000 man, whose actual income after tax is \$4,254, would have \$746 added, or slightly less than 9 weeks' actual income.

The \$10,000 man, whose actual income after tax is \$7,848, would have \$2,152 added, or nearly 14 weeks' actual income.

The \$50,000 man, whose actual income after tax is \$24,642, would have \$25,328 added, or a little more than 1 year's actual income.

The \$100,000 man whose actual income after tax is \$35,960 would have \$64,060 added, or about 20 months' actual income.

And the \$1,000,000 man whose actual income after tax is \$146,000 would have

\$854,000 added, or about 6 years' actual income.

Here is the real test of equity. This has nothing to do with war profits. Even if every vestige of favoritism to war profiteers could be removed from the Carlson bill—and I am sure that cannot be done—but even if it could be done, the forgiveness of a year's tax would give 6 years or more actual income each to about 60 taxpayers in this country while it would give less than 1 month's actual income each to about 26,000,000 taxpayers in this country. That is what the Ruml plan does; that is what the Carlson bill does. That, to my way of thinking, simply means that the forgiveness of a year's tax is grossly unfair and discriminatory against the mass of low-income taxpayers.

Exactly the same discrimination is present if one-half of a year's taxes is forgiven to all taxpayers from top to bottom. The 60 taxpayers would then be forgiven an amount equal to 3 years' actual income each, while the 26,000,000 taxpayers would be forgiven an amount equal to less than 2 weeks' actual income each.

H. R. 2218, the first committee bill, did not forgive any portion of the 1942 tax. The House rejected that bill, the Ruml plan, and all other plans and the committee set itself to work out an equitable method of placing all taxpayers on a current basis. This I believe your committee has done in H. R. 2570. That bill forgives a substantial portion of the 1942 tax—approximately half—but it does so in an equitable manner, by reestablishing in effect 1941 rates and exemptions with respect to 1942 incomes. Hardships are avoided by spreading tax payment over 3 years or longer if need be. Windfall gains to those in the upper brackets are not unconscionable, being less than 20 percent of the tax for those with incomes above \$50,000. Small taxpayers receive substantial relief—100 percent of the 1942 tax for the 7,000,000 smallest taxpayers.

Large taxpayers, even under H. R. 2570, will receive dollarwise important relief as compared to the small man—the million dollar man would have about \$121,000 added to his income—about 6 weeks' income; the married man with \$1,500 would save \$48, or about 1½ weeks' income.

Nevertheless, H. R. 2570 succeeds in placing the taxpayer on a current basis with less inequity and less of a windfall than any of the other plans which would place all taxpayers on a current basis and is therefore nearer to a fully desirable measure than any other which has come before this House.

COLLECTION AT SOURCE ON WAGES UNDER H. R. 2570

H. R. 2570 provides for collection at source with respect to wages. I do not need to point out to this House the importance of collection at source. As to that we are all in agreement. The procedure contained in the bill is essentially the same as that which was reported favorably by the committee in connection with H. R. 2218. This procedure is briefly as follows: Collection at source or withholding would apply to all wages

and salaries—other than wages paid to farm or domestic help and to men in the armed forces—and would begin on July 1 at a rate of 20 percent. This rate consists of 3 percent for the Victory tax, and 17 percent for the income tax, and applies only to the excess of the total wage above exemptions and allowance for deductions. The Victory-tax exemption will remain at \$624 for all individuals. The exemption for income-tax purposes will be the regular \$500 for a single person, \$1,200 for a married person, and an additional \$350 for each dependent, if increased by 10 percent to allow for average deductions. The tax withheld at source will be allowed as a credit against income tax and Victory-tax liability for the year and any withholding in excess of these taxes is refundable. The effect of this provision is that all persons receiving wages subject to withholding in the amount of \$2,700 if single and \$3,500 if married will have substantially their full tax liability discharged by collection at source.

In the case of wages subject to withholding, employers would be obliged to withhold at the source the appropriate amount each week or other pay period. In order to simplify employers' work in withholding, special tables have been provided. These tables will indicate the total income and Victory tax to be withheld for each wage bracket according to the exemption status of the employee. Thus, employers will not find it necessary to make any computations for any given wage. An employer need only to locate the bracket into which the amount of the wage falls and read off the corresponding amount to be withheld.

In order to enable the employer to determine the amount of tax to be withheld, the employee is, under H. R. 2570, required to furnish a signed withholding exemption certificate relating to his marital and dependency status. If there is a change in status, the employee may file an amended certificate to take effect for future pay periods. If, however, no certificate is furnished to the employer, no allowance for personal exemption and dependents is made in computing the amounts to be withheld.

The employer is required to furnish each employee with respect to his employment during the calendar year a written statement showing the wages paid during the year and the amount withheld. If the employee's services are terminated before the close of the calendar year, the receipt is required to be furnished on the day on which the last payment of wages is made, except that an extension of 30 days may be granted by the Commissioner. In lieu of the present information return with respect to wages, the employer is required to attach copies of those receipts to his final quarterly return so that they may be checked against the returns filed by the individual wage earners. Amounts withheld by employers are to be turned over the Treasury on or before the last day of the month following the close of the quarter.

EFFECT OF THE PAY-AS-YOU-GO PLAN IN H. R. 2570

Under the provisions of H. R. 2570 44,000,000 American taxpayers would be paying currently before the end of 1943, of whom 30,000,000 will have their full liabilities collected at the source.

The bill would cancel all the 1942 taxes for 7,000,000 taxpayers and would greatly reduce the 1942 taxes for many millions more. For a married person with no dependents the reduced tax is 37.1 percent of the unreduced tax at \$2,500 net income. At \$5,000 it is 48 percent, at \$10,000 it is 59.9 percent, at \$25,000 it is 74 percent, at \$100,000 it is 82.3 percent, and at \$1,000,000 it is 85.8 percent. Thus the cancellation is substantial at the lower levels of income but is not a very high percentage of the highest levels of income.

While all can now reasonably be expected to prepare for continuing increases in taxes so long as the war continues, it may well be that the public was not adequately prepared for the rates and exemptions in the 1942 act, especially in view of the fact that that act was not passed until late in the year—October 21, 1942. Your committee has considered these possible hardships and has accordingly recommended that the 1942 tax be reduced to 1941 levels and making it payable in three installments, namely, on or before March 15 of each of the years 1944, 1945, and 1946. Your committee recognized, however, the desirability of placing as many taxpayers on a fully current basis as soon as possible, and that many taxpayers can afford to and wish to get on a fully current basis at the earliest time. Accordingly, there is provided in H. R. 2570 a discount for reduced 1942 taxes paid on or before March 15, 1944, or on or before March 15, 1945. If the reduced 1942 tax liability is paid up in full by March 15, 1944, a 6 percent discount is granted. If paid up in full by March 15, 1945, the discount is 2 percent.

From the revenue standpoint, H. R. 2570 forgives approximately one-half of 1942 liabilities. As has been noted, however, the relief is proportionately most substantial where the need is greatest, namely, in the lowest income classes. They do not have tax anticipation notes or special bank accounts or savings accounts or other savings available for tax payments. Specifically, total individual income-tax liabilities for 1942 are estimated at \$9,500,000,000, after allowing for exemption of most members of the armed forces as is provided for under section 22 of H. R. 2570. Reestablishment of the 1941 rates and exemptions for 1942 incomes is estimated to reduce 1942 taxes by \$4,700,000,000, leaving a reduced 1942 tax liability of \$4,800,000,000, or three installments of \$1,600,000,000 each. These installments, added to the current payments over the next 3 transition years, will materially help the Federal revenues, although, of course, the amounts involved are obviously not anywhere nearly

adequate to meet the Federal Government's revenue and fiscal requirements. However, viewing the President's request for \$16,000,000,000 in additional taxes, it may be noted that if H. R. 2570 is enacted without any increase in existing tax rates, the receipts for fiscal year 1944 will be increased by approximately \$3,000,000,000 over the receipts estimated under present law. H. R. 2570 is therefore more desirable than the Rummler plan in two immediate ways. First, it places taxpayers on a current basis in an equitable manner, granting greatest relief where it is needed most; and secondly, it does so at approximately half the cost to the Treasury of the Rummler plan. The amount canceled is less than \$5,000,000,000 under the bill and nearly \$10,000,000,000 under Rummler.

In view of the vast increase in savings the great bulk of taxpayers will be able to pay more than 1 year's tax during the next few years.

One of the arguments advanced by the proponents of full cancellation has been that the great majority of the 44,000,000 taxpayers of the country will find it impossible to pay more than 1 year's tax at a time. I do not believe that this is true.

Savings of individuals throughout the country reached the unprecedented figure of \$28,900,000,000 in 1942. This is almost three times the amount of individual savings in 1941, and almost eight times the figure for 1940. It is nearly three times the tax liability on 1942 income.

The great increase in savings arose from the largest national income, \$120,000,000,000, in our history. This income was paid out to individuals in increased salaries and wages and to a greater number of persons—unemployment practically nonexistent. These increases were distributed widely with the lower-income groups enjoying huge increases. Since price control held down the cost of living and rationing and the unavailability of many items, such as automobiles, restrained the amount of purchases which might have been made, a great part of the increased income found its way into savings. This year income will be even higher and the volume of consumers' goods and services smaller. There will be tens of billions of dollars of income above taxes that cannot be spent. A part of this increase can be put to no better use than to wipe out the tax debt that so worries the Rummlers.

For 1943, savings, it is estimated, will reach \$40,000,000,000 after payment of 1942 tax liability. In practically every income group this will mean savings many times greater than the tax that must be paid. Much of the savings is highly liquid. Some of it is in a form that frees the ordinary family's budget. Currency and bank deposits in 1942 increased \$11,000,000,000. The volume of consumer debt declined \$3,400,000,000. There is now outstanding a total of over \$8,000,000,000 of War bonds, series E. These three items themselves are almost large enough to finance payment of 2

years' taxes without any drain upon this year's income. Out of savings that have already been made, and out of the unprecedented incomes that are being received this year, the American public, with some exceptional cases, can obtain the funds to take advantage of the committee's offer. I, for one, believe that the taxpayer with assets can properly be asked to use them to pay his debt to his Government.

It may be argued that in the higher brackets it is impossible to pay more than 1 year's taxes in any year. That is wrong. It may not be possible to pay more than 1 year's taxes out of 1 year's income, but, with few exceptions, persons in the higher brackets have assets they can use to discharge debts. Further, H. R. 2570 grants reductions in tax all along the line by reestablishing 1941 rates and exemptions. In addition, payment is permitted in three installments extending to 1946, and longer, if necessary.

If some War bonds are turned in, that may be unfortunate, but since the proceeds are used to pay taxes, the national debt becomes that much less. A dollar obtained from taxes is better than a dollar obtained from borrowing. However, I feel that redemptions will be small, that whatever doubling up taxpayers choose to do, or will be required, will come primarily out of unprecedented incomes now being received by the American public. Those incomes cannot be spent in full—without ruinous inflation—because adequate goods do not exist. There is no better use for this money than extinguishing the tax debt.

THE PROVISIONS OF THE REVISED CARLSON BILL
RELATING TO WINDFALL GAINS ARE INADEQUATE

The revised Carlson bill, as I understand it is to be presented, makes two provisions to meet the criticism that forgiveness confers a windfall. One provision is that for income over \$5,000 the tax forgiven is in effect the lower of 1942 or 1943 taxes. The other provision is that where 1942 and 1943 incomes exceed 1941 income a special tax is imposed. The tax is on the excess of 1942 or 1943 income over 1941 income plus \$5,000. This excess is taxed as if it constituted the entire taxable income after all credits for the taxable year 1943, or in other words, at the lowest rates applicable.

In the first place the year of reference, 1941, represents an unfortunate choice. The year 1941 was a year of special wartime profits. We all know that during that year there were numerous cases of large salaries, of large war incomes and profits based on American and foreign war contracts and contingent fees, and other large incomes incidental to these contracts. There were also large dividends from corporations doing wartime

business. In view of the fact that 1941 was in itself an abnormal year the use of such year for the basis of forgiveness is hardly the means for removing the special wartime windfall of forgiveness. Yet this is the way that the Carlson bill would attack the problem of windfall gains. And as may be expected it results in allowing large amounts of wartime profits to escape tax-free.

I do not need to state to the members of this House how strongly we all feel that no one should profit from the tragedy of this Nation. It was precisely this feeling that caused so much agitation by Members of this House for a tax on excess incomes of individuals to parallel the excess-profits tax on corporations. It was argued in 1940 and later that unincorporated businesses should not escape the tax to which corporations were being subjected on their war profits, and also that executives should not be permitted to retain huge salaries that were made possible only by wartime earnings.

Why was no special tax placed on the war earnings of individuals? The answer is found in our present income-tax structure. These individuals, we believe, would be subject to high surtax rates so that in practice they would retain net after taxes very little of their increased profits. If the individual is subject to a 70, 80, or 90 percent rate on the highest dollars of his income, he is being quite effectively taxed on his war profits, and there is not much more that is needed to be done. His tax is quite in line with that imposed on corporations. But now we come face to face with the Carlson bill which would forgive 1942 taxes generally and impose even on windfall gains what is in fact in many cases only a token tax. I am certain that no Member of this House would propose that corporations be relieved of most of the tax on their war profits for 1942. Similarly, I maintain that no one should defend allowing individuals profiting from the war to pay only a token tax on their profits.

None of us knows what incomes in 1943 will be, but we do have figures comparing 1940, 1941, and 1942 incomes. I think it might be illuminating to see how certain individuals would be affected by the Carlson bill. The attached table shows the salaries paid by certain corporations as reported to the Securities and Exchange Commission. I have taken 13 cases in which remuneration has increased substantially. I do not mean to be personal and I am not criticizing these individuals, and I am not objecting to the salaries paid. I am criticizing, however, the proposal to free these individuals from substantial portions of the tax on their 1942 salaries. This table shows, for example, that the so-called antiwindfall provisions would be completely ineffective with respect to D. O. Thomas, of the Bendix

Aviation Corporation, whose remuneration was \$60,000 for 1942, even though his income in 1942 was 173.2 percent of his pre-war—1940—income. In the case of Charles Marcus of the same company only \$177 in tax would be payable on a 1942 income of \$77,043. J. D. A. Morrow, of the Joy Manufacturing Co., would, under the antiwindfall provisions, pay only \$283 on an income of \$55,577, and J. W. Frazer, of Willys-Overland Motors, would pay \$4,722, or 3.8 percent of his \$123,184 income for 1942, even though this income was 205 percent of his pre-war—1940—income. These cases are taken from the CONGRESSIONAL RECORD of March 23, 1943, page A1464.

The very fact that the proponents of the Carlson bill have inserted into their bill the so-called antiwindfall provisions evidences the fact that they too realize the inequity of permitting wartime profits to escape just taxation.

Under the original Ruml plan these inequities were entirely overlooked in a feverish haste to obtain wholesale tax forgiveness. When the inequities were pointed out a revised Ruml plan called H. R. 2245 was produced which contained a gadget which promised to provide forgiveness for all except those who profited from the war. Only 2 of the 13 persons in the table which I have introduced would have been affected by that gadget, and those only in a minor way. The other 11 would have had the tax on all of their profits forgiven. So the hodgepodge was stirred again, and H. R. 2245 has given way to the present Carlson bill. But upon examination we find that, though the voice be Jacob's, the hand is Esau's—persons with large 1942 war profits still remain substantially free from tax on those profits. This is not surprising because no gadget designed to winnow some income for forgiveness and leave others in for taxation can work. For every partial success such a gadget must have substantial failure and add many cases of discrimination.

In the Carlson bill, however, we are in effect asked to set the official seal of congressional approval on this obviously inadequate measure with respect to war profit. We know these profits are derived in many instances directly at Uncle Sam's expense through war contracts. Shall we confirm their recipients in their possession in return for a token-tax payment? To do so would be in effect to tell these profit receivers to go with our blessing, expressed in a handsome tax bonus. The Committee on Ways and Means has correctly refused to do this and expressed its approval for H. R. 2570 under which recipients of large war profits are treated the same as recipients of other types of income equal in amount, thus placing upon all 1942 taxable income their fair tax load.

Amount of remuneration 1940, 1941, and 1942; increase of 1942 over 1940; and tax on 1942 income under present law, H. R. 2570, and H. R. —

Name	Employer	Remuneration			Increase in remuneration, 1942 over 1940	Tax on 1942 income ¹		
		1940	1941	1942		Present law ²	H. R. 2570	H. R. — ³
Reese, Clarence	Continental Motors Corporation	\$16,604	\$40,903	\$58,027	\$41,423	\$31,071	\$25,263	\$3,432
Beech, Walter H.	Beech Aircraft Corporation	12,450	19,356	65,299	52,849	36,430	29,765	20,052
Wells, T. A.	do	6,602	9,615	41,016	34,414	19,213	15,195	10,825
Gaty, J. P.	do	5,746	9,615	41,016	35,270	19,213	15,195	10,825
Marcus, Charles	Bendix Aviation Corporation	40,893	71,110	77,043	36,150	45,414	37,308	177
Thomas, D. O.	do	34,663	56,160	60,050	25,387	32,528	26,488	-----
Wallace, Duane L.	Cessna Aircraft Co.	5,400	16,620	89,852	84,452	55,664	45,815	39,614
Wallace, Dwight S.	do	2,325	16,032	89,852	87,527	55,664	45,815	40,055
Salter, Tom	Cessna Aircraft Co.	3,030	9,704	32,531	29,501	13,748	10,575	6,035
Morrow, J. D. A.	Joy Manufacturing Co.	7,333	49,098	55,577	48,244	29,307	23,775	283
White, W. King	Cleveland Tractor Co.	15,300	26,604	51,167	35,867	26,133	21,077	6,933
Hill, James A.	Illinois Zinc Co.	14,750	21,667	50,283	35,533	25,523	20,599	9,197
Frazer, Joseph W.	Willys-Overland Motors, Inc.	60,000	103,093	123,184	63,184	83,742	68,645	4,722

¹ Under the provisions of H. R. —, the 1942 tax is canceled. The tax shown as the tax on 1942 income under H. R. — is, under the terms of the bill, an addition to the tax on 1943 income.

² Tax under Revenue Act of 1942 is based on the assumptions that the exemption in each case is that of a married man without dependents and that income from other sources is equal to the taxpayer's deductions, such as taxes, interest, contributions, etc.

³ Assuming that the income in 1943 will be the same as that in 1942.

Source: CONGRESSIONAL RECORD Mar. 23, 1943, p. A1464.

CANCELATION OF THE FULL TAX ON 1942 INCOME FOR ALL TAXPAYERS WOULD DISCRIMINATE AGAINST THE MILLIONS OF TAXPAYERS WITH SMALL INCOMES; H. R. 2570 WOULD NOT

The amount of 1942 taxes canceled will have to be collected from incomes in 1943 and following years. By allowing 1942 incomes to be tax-free, we compel ourselves to impose greater burdens than would otherwise be necessary on incomes received in 1943 and subsequent years. It is here that we observe the gross inequities that would result from full cancellation. Since rates on higher incomes are already so high that they cannot be sufficiently increased to make up for the loss from cancellation, the increased burden must of necessity fall on the middle and lower income classes. Simply stated, cancellation of 1942 taxes would shift billions of dollars of the cost of the war from persons with large incomes to those of only moderate means and those in the lower income groups. H. R. 2570 avoids this problem, in the main, because the forgiveness in the highest brackets is small. If large amounts are forgiven for the lower income taxpayers, it will be those same taxpayers who will be called on to make up the loss through higher rates on their subsequent years' incomes. There will not be added to their burden, however, the amount of revenue which would be lost through full forgiveness of tax to those whose rates cannot be further increased.

The Carlson bill would discriminate against the small taxpayer. The forgiveness of a year's tax to those persons who in 1942 had little or no tax liability means nothing. To a man with a million-dollar income in 1942, the saving is \$854,000. This large-income taxpayer has probably saved for his taxes. He may have bought tax anticipation notes. He may set up a special bank account. He may have done any number of things to prepare for the payment of the tax. If the Carlson bill were enacted, this tax would never become due, and these people would realize a real immediate saving. This saving is not one which is deferred until Judgment Day, or until death. It is real and actual in the year 1943, a year when ostensibly we are calling upon all America to share in the financial burdens of the war.

Large taxpayers are already upon a pay-as-you-go basis. They may not pay the taxes over to the Government until they are due, but each taxpayer in his way may accrue his tax over the year so that his 1942 liability in effect has been paid out of his 1942 income. For such taxpayers forgiveness of a year's tax is nothing more or less than the presentation to them of that amount of money at the expense of taxpayers generally.

TREATMENT OF THE 1942 TAX

The major controversy in the House with respect to pay-as-you-go has revolved around the question of the treatment of 1942 taxes. The supporters of the Ruml plan would forgive the 1942 taxes in full. H. R. 2570 provides for substantial relief where it is most needed, namely, in the lowest-income brackets. Under the bill, the 1942 tax liabilities are reduced in accordance with a schedule which in general has the effect of restoring for 1942 incomes the rates and exemptions imposed by the Revenue Act of 1941.

In order to facilitate payment of this tax along with taxes on current income, the bill provides for payment of the reduced 1942 tax in three installments, one-third by March 15, 1944, one-third by March 15, 1945, and one-third by March 15, 1946. If the entire amount of the reduced 1942 tax is paid by March 15, 1944, a discount of 6 percent of the reduced tax is allowed. If one-third is paid by March 15, 1944, and the balance by March 15, 1945, a discount of 2 percent is allowed. In hardship cases, the commissioner is authorized to grant extensions for any installment of the reduced 1942 tax for a period not in excess of 18 months, and, in exceptional cases, for a further period of not in excess of 18 months.

It is my conviction that H. R. 2570 affords the best and fairest method of accomplishing desired results and should be enacted.

The CHAIRMAN. The time of the gentleman from Tennessee has again expired.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Chairman, it is of impelling urgency that 44,000,000 Federal individual income taxpayers be relieved from an outmoded method of assessing and collecting their income taxes. The tax load has become so heavy within so short a time that unless certain defects and weaknesses in the present individual income-tax collection system are corrected the burden cannot be borne by millions of persons without financial disaster to them and an ultimate financial loss to the Government.

The Carlson bill is the only proposal so far submitted to the House which will cure the defects in the present system, from which millions of income taxpayers now suffer, and of which they justly complain.

What are some of the defects and weaknesses in the present income tax collection system? Under the present law personal income taxes are assessed against the past year's income. Thus, the collection of the tax is always 1 year behind. It is obvious, therefore, that under the present method of collecting the income tax on income 1 year after it is earned, the taxpayer is always in debt to his Government for his income tax.

Why is it more dangerous now to continue under the present 1-year-behind tax collection system than it has been during the past 30 years? One of the answers is that when the individual income tax load was light, because of very low rates, it made but slight difference to the taxpayer whether or not he paid last year's tax out of this year's income; but now that Federal income taxes have been increased nearly fivefold since 1941, the taxpayer is under a constant threat of being plunged into insolvency. It is not alone the rapid increase in the burden of the tax load that endangers the solvency of millions of taxpayers, but the vicious practice of imposing retroactive taxes, such as was done in 1942. This extra and unexpected load of taxes caught millions of salary and wage earners unawares and unprepared. A survey last November—1942—showed that 75 percent of the taxpayers had made no provision whatever for paying their 1942 taxes. I admit that there are many

wealthy persons who can, without the slightest inconvenience, pay increased taxes, whether the taxes are doubled up or made retroactive. This is not the case; however, with those millions of families who find it necessary to budget to the last nickel. The proper adjustment of the tax load presents a problem of legislative responsibility to those patriotic persons who only ask, in return for their willingness to do their full part in winning the war, a fair and honest program of tax collection by which they can shoulder and carry the tax load without the loss of their homes and without ruin to themselves.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. KNUTSON. Did the gentleman see in the press about the middle of March a statement by the vice president of the Morris Plan Bank to the effect that possibly 5,000,000 Americans would have to borrow the amount of their first income-tax payment this year?

Mr. REED of New York. I saw that and several other reports along the same line.

It is not an unreasonable request for sovereign citizens to make of their Government.

The reasonableness of the request for a more just method of handling the collection of a terrific tax burden can be readily seen by presenting the figures showing the increase in Federal income taxes from 1941 to 1943, inclusive, and the estimated burden for 1944:

(a) 1941-----	\$7,607,000,000
(b) 1942-----	12,799,000,000
(c) 1943-----	22,976,000,000
(d) 1944 (estimated)-----	33,081,000,000

These figures do not include pay-roll taxes for old age insurance from 1937 on. They do not include the \$16,000,000,000 increase requested by President Roosevelt in his Budget message. Furthermore, this prospective tax load of \$49,081,000,000 does not include the \$10,000,000,000 State and local taxes, which if included brings the load up to one-half the national income.

The present Federal income-tax collection system, as well as the system now proposed by the Democratic majority of the Ways and Means Committee, shifts and shuffles the tax load so that the method and the time of collection of the tax violate sound principles of taxation. Among the principles so violated are these:

Every tax ought to be levied at the time, or in the manner in which it is most likely to be convenient for the contributor to pay it.

Also:

Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state.

The people are fully aware that the present Federal tax collection system threatens millions of taxpaying citizens with ultimate insolvency. Why? To continue to collect income tax on income the year after it is earned will prove financially disastrous to the taxpayer who has a reduction in income, or loses

his job, and equally disastrous to the average taxpayer's widow when he dies.

There are millions of men and women whose future will be placed in jeopardy unless taxpayers are made current by the adoption of the current Carlson pay-as-you-earn proposal. It is the only plan that has been presented which in the event of a reduced income, loss of a job, or death, will meet the financial problem of the taxpayer.

Millions of taxpayers are now fully aware and greatly alarmed as to what will happen to them if required to pay out of a reduced income an income tax based on the higher income of the previous year. Thus, while the income tax is supposed to be based on ability to pay, the present method does not actually gear the tax payment to the amount of current income, out of which it is paid.

Moreover, when the taxpayer's income is completely cut off by loss of job, retirement, or death, the past year's income-tax liability becomes a great burden, since there is no current income out of which it may be discharged. This debt for last year's income tax may be great enough to wipe out every asset that millions of taxpayers now possess. A system so cruel, so relentless, and so destructive to those who must bear the financial burden of this war is neither a safe nor a sound one to adopt.

Millions of taxpayers now know the advantages that will accrue to them by changing from the present year-behind or debt-hang-over tax-collection system to a current, pay-as-you-earn basis in collecting the income tax. These millions of loyal, patriotic taxpayers wish to discharge their respective income-tax liabilities as earned, and thus avoid the danger of the debt hang-over when they either retire, lose their jobs, or when they die.

Those who are urging the enactment of the Carlson plan feel that if they suffer a reduced income, their current tax payments should be reduced to conform to the lower income, which is not the case under the present noncurrent system of collection.

The Carlson plan is so well known, both in principle and purpose by the tax-paying public, that a discussion of its details is almost unnecessary. The contrast between the Carlson bill, which squarely meets and solves the defects of the present collection system, and the democratic committee bill, which retains and adds to the defects of the present collection system, makes it worth while to present in a few sentences the provisions of the Carlson bill.

The Carlson bill is a system of current tax collection. It is not a revenue-raising measure, as is the committee bill. Tax rates are not changed by it; neither is the burden changed. It applies to individuals, not to corporations. It is a current pay-as-you-earn tax-collection system instead of the present year-behind, collect-after-it-is-spent system.

It puts taxpayers on a current pay-as-you-earn basis by the abatement of the 1942 tax liability, and then provides for the discharge of the 1943 tax liability out of 1943 income. It does not double up the 1942 and the 1943 taxes.

There is no loss of revenue to the Government under the Carlson plan. Under it the Treasury will gain more revenue, not less. The flow of revenue into the Treasury under the Carlson bill will begin 1 year earlier; it will be greater; it will be certain, and the taxpayer will not be in debt to his Government for a year's taxes at the beginning of a new year. It meets the issue of inflation squarely by capturing the taxes before they can be spent by the taxpayer for other purposes. It keeps the farmers current in their Federal income taxes, thus relieving them from the danger of facing insolvency this year for the previous year's taxes when and if they face a disastrous year caused by a drought, flood, frost, insects, hurricanes, illness, or labor shortage which reduces or destroys this year's income.

The Carlson bill is the only one that will make all taxpayers current, and by doing so protect the Government against delinquencies, as well as increase the revenue of the Federal Government.

Those who are opposed to the Carlson plan have sought to mislead the public by charging that the measure will create war millionaires. This charge is unfounded, and the taxpayers know that the charge has no foundation in fact. To keep repeating that the Carlson bill will create war millionaires, as the opponents persist in doing, is for them to assume that millions of persons are too indolent to read and too ignorant to understand the antiwindfall provisions of the Carlson bill. Instead of being frank with the citizens by admitting that these provisions eliminate the possibility of windfalls or unjust enrichment, the opponents of the bill resort to demagoguery in an effort to divert the attention of the public from the true facts.

It is well known to the taxpayers that under the antiwindfall provisions of the Carlson bill every taxpayer having a net taxable income in excess of \$5,000 will be required to pay on whichever is higher of the 1942 or 1943 income. Also, the bill provides that those whose taxable net income in the otherwise abated year exceeds 1941 income by more than \$5,000 pay a tax at the regular income-tax rates on the abnormal portion of that year's income in addition to whatever tax is payable on the current year's income. Beyond the provisions against windfalls in the Carlson bill there are other laws on the statute books that make difficult abnormal profits. The individual taxpayer, if he has a war contract with the Government, falls within the purview of the renegotiation provision of the law. Then, too, he is confronted with an excess-profits rate of 90 percent; any dividends to individuals after payment of the 90 percent, pay up to 90 percent also. It must be kept in mind, too, that salaries and wages are frozen.

But notwithstanding all of these safeguards against war profiteers and windfalls, the Democratic New Dealers continue their effort to mislead the people on this and other sound features of the Carlson bill.

Now that the Democratic Members have been duly chastised by their constituents for their stubborn resistance to

the expressed will of the people, the opposition to forgiveness or sin, as they described abatement of the 1942 tax, has now been accepted by them as a virtue.

It is impossible for taxpaying citizens to understand why the Democratic majority of the Ways and Means Committee should deliberately disregard a logical, workable plan of current tax collection, and in its place force upon the American taxpayers a doubling up of taxes in a sum of \$5,400,000,000. Think of it. The majority committee bill, if adopted, would not relieve the taxpayers from any burden but instead would load upon their backs each year for 3 years the sum of \$1,800,000,000.

The opposition of the Democratic members of the Ways and Means Committee to the Carlson bill, a measure so earnestly desired and so urgently urged upon Congress, presents a display of official stubbornness and tyrannical resistance to the public will which might be construed by some as not in keeping with the philosophy of representative government. I do not so construe the action of my colleagues on the committee. Their difficulty is for them to decide whether it is their duty to obey the demand of the Treasury that they oppose the Carlson bill, or their duty to support the Carlson bill as requested by their respective constituencies, to whom they, as representatives, are responsible.

Often in public affairs there are those who once they start from some false political premise, try to carry it through to the bitter end regardless of the cruel consequences to which their stubbornness may give rise. It has been said that the words of Benjamin Franklin, in the closing hour of the Convention, may well be imprinted on the minds of all legislators as the foundation for every successful achievement in government. Speaking to his fellow delegates in the closing hours of the Constitutional Convention, held in Philadelphia during 4 hot summer months of 1787, Benjamin Franklin said:

I confess that there are several parts of this Constitution which I do not at present approve; but I am not sure I shall never approve them. For, having lived long, I have experienced many instances of being obliged, by better information, or further consideration, to change opinions even on important subjects, which I once thought right, but found to be otherwise. It is, therefore, that the older I grow, the more apt I am to doubt my own judgment, and to pay more respect to the judgment of others. * * * Thus, I consent, sir, to this Constitution because I expect no better, and because I am not sure that it is not the best. * * * On the whole, sir, I cannot help expressing a wish that every member of the Convention who may still have objections to it, would, with me, on this occasion doubt a little of his own infallibility, and to make manifest our unanimity, put his name to this instrument.

I believe it would be well for all of us, in the present crisis, to make manifest our unanimity by adopting the Carlson bill in accordance with a sound and overwhelming public sentiment in favor of this legislation.

Mr. WOODRUFF of Michigan. Mr. Chairman, I yield myself 10 minutes. The CHAIRMAN. The gentleman

from Michigan is recognized for 10 minutes.

Mr. WOODRUFF of Michigan. Mr. Chairman, with the exception of those who lose their jobs, or who, through injury or illness, are unable to earn a taxable income, no single living person is forgiven one dollar of tax under the Ruml-Carlson proposal. If the plan were put into effect, the people profiting thereby would be the widows and dependents of the taxpayers when the latter die. Each year since the income-tax law was enacted, every taxpayer has paid 1 year's tax, or he has been unable to pay his tax, or he has illegally avoided payment. There has been no single exception. All taxpayers paid a year's tax in 1941, a year's tax in 1942, they either have paid or will pay a year's tax in 1943 and another in 1944, and so on as long as they shall live, provided they have a taxable income.

It has not been contemplated, in any proposal before the committee, that any living person should be forgiven the payment of any part of his income tax in any year. All that is involved in the Ruml-Carlson proposal is changing the designation of the year in which the tax is paid. In other words, we simply propose to call the tax we pay in 1943, the tax of 1943, instead of the tax of last year. We should not forget that we paid a tax last year and all other past years when we had an income sufficiently large to bring us within the taxpaying brackets.

Under our present system, we pay our 1942 tax in 1943, and we have all the latter year in which to pay that tax. A large proportion of the taxpayers is compelled to pay its income tax quarterly during the year after which the income is earned and spent.

Under the Ruml-Carlson plan, we will pay during the present year and each year hereafter not a dollar less nor a dollar more than the law calls for. But when a taxpayer dies, his widow will not be faced with the necessity of paying the tax on her husband's previous year's income. The average widow, especially if she is left with little children, has trouble enough in properly caring for them without being hounded to death by the Treasury Department trying to collect a year's income tax on the income her husband earned in the year previous to his death. Further, in the case of the taxpayer himself, under the present law, if in 1943 he is employed at good wages and at the end of the year has earned enough to put him in the taxpaying bracket, and he then loses his job, is injured, or otherwise disabled, he is faced with the necessity of paying an entire year's tax at a time when he has no income.

Among the great majority of our people, when the father and breadwinner dies, the widow, particularly if she has little children, is faced with a future of uncertainty and fear. In many instances the little family has been unable to accumulate enough to care for the little brood for more than a short time. Under our present system the widow becomes liable for every penny of the tax owed the

Treasury Department by her deceased husband.

There are a number of instances which have been publicized recently where men have died and the Treasury Department has proceeded against their widows in an attempt to collect the previous year's income tax which the husband owed at the time of his passing. Yes, even the widows of men who have died or been killed while serving in the armed forces have had this experience.

It makes not the slightest difference whether she has enough money to keep her little family together or not. It makes not the slightest difference whether the little home in which they live is clear of debt. Taxes constitute the first lien on income and on property, and she can be dispossessed and her little brood thrown into the street, if necessary, to collect the income tax due on her husband's previous year's income. I do not believe there is a single Member of this House who wants this situation to continue.

What I am discussing is a matter of most vital interest to more than 42,000,000 income taxpayers of the Nation. They constitute those whose incomes take them only into the lower brackets of the income-tax law. It is they who, because of their small incomes, find the payment of even a small tax a most serious problem. It is they to whom life presents many serious problems which do not confront those with larger incomes.

These 42,000,000 taxpayers and their dependents, constituting as they do all but a very small segment of the American people, need the protection which the Ruml-Carlson bill gives them and they need that protection now.

The committee bill gives these taxpayers and their dependents the benefits only after 3 years, during which time they must pay each year a substantial sum above and beyond the regular year's tax, which, in fact, constitutes an increase in their tax.

The Carlson bill gives them the benefits now, and it does so without adding to the individual's tax burden.

Mr. Chairman, I concur wholeheartedly in the conclusions of the Republican members on the Ways and Means Committee that the Ruml-Carlson plan is the outgrowth of reason and common sense.

It is as sound as it is simple.

It meets the need for putting the income-tax system on a genuine ability-to-pay basis by gearing current tax payments to current income, thereby relieving all taxpayers of any overhanging income-tax debt.

We urge the House to adopt the Ruml-Carlson plan as a substitute for the committee bill for the following reasons:

First. It accomplishes the objective of placing taxpayers on a current pay-as-you-earn basis immediately and not at some distant time.

Second. It involves no doubling up in payments.

Third. It treats all taxpayers equitably and is the only plan which abates the 1942 tax assessment on the same pro-

gressive principle by which it was imposed.

Fourth. It is simple to understand and simple to put into operation and to administer.

Fifth. It is the only plan which meets every problem squarely, openly, fairly, and honestly.

Mr. JENKINS. Mr. Chairman, will the gentleman yield?

Mr. WOODRUFF of Michigan. I yield to my colleague on the committee.

Mr. JENKINS. In view of the fact that the gentleman is the author of that portion of the bill that applies increased exemptions to soldiers I think the gentleman should take a little time to explain it. No one as yet has explained it today and I think it very proper that it should be done by the gentleman from Michigan.

Mr. WOODRUFF of Michigan. Mr. Chairman, I think every Member of the House is familiar with that provision which appears in all the bills. It proposes to apply to all members of the armed forces of the country during the present war the same tax basis that was applied to the members of the First World War; in other words, it proposes to raise the personal tax exemption of the members of the armed forces up to \$3,500 instead of leaving it at the present levels.

Mr. DOUGHTON. Mr. Chairman, will the distinguished gentleman yield?

Mr. WOODRUFF of Michigan. I yield to my chairman, of course.

Mr. DOUGHTON. The committee bill and the substitute bill, as I understand, are exactly identical with respect to the members of the armed forces.

Mr. WOODRUFF of Michigan. I just made that statement. Possibly the gentleman did not hear me.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. WOODRUFF of Michigan. I yield.

Mr. DONDERO. Does that apply to any other income a soldier may have in addition to what he is paid by the Government for his service in the armed forces of the Nation?

Mr. WOODRUFF of Michigan. It applies only to that part of the income of the individual represented by his service pay.

Mr. DONDERO. It does not apply to income from other sources.

Mr. WOODRUFF of Michigan. It does not.

Mr. Chairman, I yield back the balance of my time.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Virginia [Mr. ROBERTSON].

(Mr. ROBERTSON asked and was given permission to revise and extend his own remarks.)

Mr. ROBERTSON. Mr. Chairman, there are times when consistency is a jewel; there are times when consistency becomes a dangerous shibboleth. If there be any virtue in having offered a pay-as-you-go plan and sticking to it through the deliberations of the Ways and Means Committee and in the proceedings in the House, I can claim that virtue. Naturally, it is a source of grati-

fication to me that all plans which have previously been presented to the House, and which will this week be presented to the House, embody one-half of the plan originally proposed by me, namely, the withholding against wages and salaries at the source of 20 percent of the tax liability. That was not a part of the original Ruml plan nor a part of the original Carlson-Ruml plan.

I did not offer a plan to remit a portion of 1942 tax liability for the purpose of being generous in a period of a grave war emergency nor for the purpose of currying favor with the taxpayers. I made that proposal because it is highly desirable to get on a pay-as-you-go tax basis. That involves two separate and distinct things—one, to collect at the source and the other to make as many taxpayers as possible current. From the start, it was clearly recognized that the second part of that program could be accomplished in only one of two ways—through forgiveness or through doubling up. I preferred and still prefer the first method. I took the position that the Carlson-Ruml plan even as modified on four different occasions involved more forgiveness than was necessary to accomplish the major part of making taxpayers current and with unjustifiable windfalls. I opposed the pending committee bill because it made only 7,000,000 out of some 44,000,000 taxpayers immediately current, and for the remaining taxpayers extended the period in which currency would occur to 1946—a point which may be and we hope will be beyond the end of the war. I also took the position with respect to the committee bill that there were many taxpayers who had not shared in the war income and for whom the doubling up involved in the committee bill would be a real hardship. To me it was no answer to say that while 4 years of taxes would be collected in 3 years the taxpayer had 4 years of income with which to pay. We all know that most taxpayers do not accrue. They stay 1 year behind in the payment of taxes. Theoretically, taxpayers saved from 1942 income an amount sufficient to pay 1942 taxes. Actually many used 1942 income to pay 1941 taxes and had planned to use 1943 income to pay 1942 taxes.

During the recess of last week I spent some time in my district. The principal question asked me was, "When is Congress going to pass a tax bill?" To that my answer was, "Before the sun sinks on your National Capitol the evening of May 4." While at home I found this to be the prevailing sentiment: "We are patriotic; we recognize that during this war we must pay increased taxes; we are willing to pay increased taxes, but we feel we have the right to know without undue delay what our tax liability for 1943 is going to be." Therefore, on the subject of consistency I have merely this to say: If a majority of my colleagues do not think the plan proposed by me, and which will be offered in a revised bill tomorrow by the gentleman from Rhode Island, Representative FORAND, in the event the Carlson amendment be defeated, is not the best solution of a difficult problem, I intend to vote for the

committee bill. I do not intend to announce to my constituents that simply because I could not get the kind of tax bill I preferred I was unwilling for them and unwilling for the Nation to have any tax bill. The House made a fatal mistake when it voted to recommit the last tax bill. That mistake must not be repeated.

REVISED H. R. 2277

The pay-as-you-go tax plan, which will be offered tomorrow by the gentleman from Rhode Island, Representative FORAND, is a revision of H. R. 2277 and is devised to place the great bulk of individual taxpayers to whom tax currency is most important on a fully current basis and to place the remainder of individual taxpayers with higher incomes and consequent higher tax liability in the position of very substantial currency, at the same time avoiding the objectionable features of the full-year forgiveness in the Ruml-Carlson plan or the substantial doubling up with respect to tax payments involved in the revised committee bill, H. R. 2570. With respect to the procedure for collection of tax at source on wages, revised H. R. 2277, which will be H. R. 2577, is identical with the committee bill, and insofar as appropriate, the pattern set therein for current collection of tax on income from sources other than wages is likewise followed.

Under the plan the gentleman from Rhode Island, Representative FORAND, will offer tomorrow, 90 percent of the taxpayers are put on a completely current basis and approximately 99 percent are put in a position of at least 75 percent currency. This degree of currency is achieved without any doubling up of tax payments or any interruption of the flow of tax money into the Treasury. Moreover, the great inequities resulting from the complete forgiveness of a year's tax liability contemplated in the Ruml-Carlson bill are avoided. Tax forgiveness under H. R. 2577 operates equitably to confer on all taxpayers an equal amount of tax reduction for 1942 in proportion to their respective net incomes, whereas the eventual benefit which would result from the tax forgiveness under the Ruml-Carlson bill would be heavily weighted in favor of persons with large incomes.

The plan of H. R. 2577 is, briefly, as follows: Individual income tax liability would be divided into two parts, the great bulk payable currently, and the balance payable in the year following the receipt of income. The amount paid currently, whether it be by withholding and collection at the source or by quarterly payments of estimated liability on the basis of an annual declaration, would approximate the basic tax for which all taxpayers are liable, namely, the 6 percent normal tax, plus the surtax at the first bracket rate of 13 percent, and the net victory-tax liability. The balance of the tax liability not covered by the current collection at the source or quarterly payments would be payable as under existing law in the year following the receipt of income. In order to achieve this currency the basic tax on 1942 indi-

vidual income would be canceled. This would avoid doubling up of payments, since the portion of tax liability canceled for 1942 is comparable to that part of the 1943 tax which is collected currently. That part of the first two 1943 quarterly payments—on 1942 incomes corresponding to the basic tax for that year—would be considered a payment with respect to 1943 liabilities. Collection at the source at a rate sufficient to collect the basic tax on wages and salary would begin on July 1, 1943. Two corresponding quarterly payments of tax on income not subject to collection at source would be made September 15 and December 15, 1943. A penalty would be imposed to prevent underdeclaration of estimated income and resulting underpayment of estimated basic tax.

ADVANTAGES OF THE PLAN

First. The plan makes 90 percent of taxpayers current except for minor year-end adjustment necessary under any plan of current collection. In this group are the taxpayers for whom a pay-as-you-go system is really important—those who have little or no surplus income and small accumulated savings. It is this group which would find paying taxes a serious hardship when their income declines substantially—see tables 1 and 2.

Second. The great majority of the remaining one-tenth of the taxpayers would be substantially current. Less than 1 percent of all taxpayers would not be at least 75 percent current. Only about 700,000 taxpayers out of nearly 44,000,000 would carry over a liability of more than about \$90 beyond the close of the current-income year.

Third. There is no doubling up of tax collections under this plan. Under the plan approximately the entire basic tax would be collected currently during the year in which the income is received. Liabilities above basic tax would be collected in the following year as under the present law. Since an equivalent of the basic tax for 1942 is canceled the current collection in its place of the basic 1943 liability does not result in any doubling up.

Fourth. The distribution of the amount canceled is much more equitable than under the Ruml-Carlson bill. Under my plan a uniform rate of tax on 1942 income, namely, the normal tax and 13 percent of the surtax net income is forgiven from top to bottom. See tables 3 and 4. The burden distribution of the 1942 tax after the cancelation of the basic liability constitutes an equitable distribution of the tax burden of this magnitude under the principles of exemptions and progressive rates.

Fifth. The total amount of liabilities canceled would be approximately \$7,600,000,000 as compared to approximately \$10,000,000,000 under the Carlson bill. The cancelation would, however, be much more evenly distributed. Moreover, if income tax rate increases are made in the future they are likely to be imposed much more nearly along the pattern of cancelation under my plan than under the Ruml-Carlson bill. The benefits of forgiveness granted in order to make taxpayers current would thus

fall in about the proportions that the burdens of tax increases would be imposed so that the distribution of forgiveness is thus much more equitable under H. R. 2577 than under the Ruml-Carlson bill.

TABLE 1.—Amount of tax that would be collected at source under H. R. 2577 for selected levels of net income

MARRIED PERSON—NO DEPENDENTS				
Net income before personal exemption ¹	Income tax liability, present law ²	Amount that would be collected at source ³	Balance to be paid	Amount collected at source as a percent of total liability
				Percent
\$1,200				
\$1,500	\$48	\$48		100.0
\$1,800	103	103		100.0
\$2,000	140	140		100.0
\$2,500	232	232		100.0
\$3,000	324	324		100.0
\$4,000	532	508	\$24	95.5
\$5,000	746	692	54	92.8
\$6,000	992	876	116	88.3
\$8,000	1,532	1,244	288	81.2
\$10,000	2,152	1,612	540	74.9
\$15,000	4,052	2,538	1,514	62.6
\$20,000	6,452	3,488	2,964	54.1
\$25,000	9,220	4,438	4,782	48.1
\$50,000	25,328	9,188	16,140	36.3
\$100,000	64,060	18,688	45,372	29.2
\$500,000	414,000	94,688	319,312	22.9
\$1,000,000	854,000	189,688	664,312	22.2
\$5,000,000	4,374,000	949,688	3,424,312	21.7

¹ Maximum earned net income assumed.

² Excluding Victory tax.

³ Normal tax and 13 percent of surtax net income.

TABLE 2.—Approximate distribution of income recipients by percentage of total liabilities discharged currently under H. R. 2577

[Calendar year 1943]				
Percentage of total liability discharged currently	Number of taxable income recipients (millions)	Percentage of all taxable income recipients	Cumulative percentage of all taxable income recipients	Maximum amount of tax of not discharged currently
100 percent	38.7	88.8	88.8	0
90-100 percent	4.2	9.6	98.4	\$90
75-90 percent	.3	.7	99.1	550
50-75 percent	.3	.7	99.8	4,200
25-50 percent	.1	.2	100.0	115,000
Less than 25 percent	.002	.004	100.0	
Total	43.6	100.0		

TABLE 3.—Amount of tax that would be forgiven under H. R. 2577

MARRIED PERSON—NO DEPENDENTS		
Net income before personal exemption ¹	Income tax, present law ²	Amount forgiven ³
\$1,200		
\$1,500	\$48	\$48
\$1,800	103	103
\$2,000	140	140
\$2,500	232	232
\$3,000	324	324
\$4,000	532	508
\$5,000	746	692
\$6,000	992	876
\$8,000	1,532	1,244
\$10,000	2,152	1,612
\$15,000	4,052	2,538
\$20,000	6,452	3,488
\$25,000	9,220	4,438
\$50,000	25,328	9,188
\$100,000	64,060	18,688
\$500,000	414,000	94,688
\$1,000,000	854,000	189,688
\$5,000,000	4,374,000	949,688

¹ Maximum earned income assumed.

² Excludes Victory tax.

³ The basic liability of 6 percent of normal tax net income plus 13 percent of surtax net income.

TABLE 4.—Effective income tax rates under present law and under H. R. 2577 ¹

MARRIED PERSON—NO DEPENDENTS		
Net income before personal exemption	Income tax under present law	Tax after canceling normal tax and surtax at first bracket rate
	Percent	Percent
\$1,200		
\$1,500	3.2	
\$1,800	5.7	
\$2,000	7.0	
\$2,500	9.3	
\$3,000	10.8	
\$4,000	13.3	0.6
\$5,000	14.9	1.1
\$6,000	16.5	1.9
\$8,000	19.2	3.6
\$10,000	21.5	5.4
\$15,000	27.0	10.1
\$20,000	32.3	14.8
\$25,000	36.9	19.1
\$50,000	50.7	32.3
\$100,000	64.1	45.4
\$500,000	82.8	63.9
\$1,000,000	85.4	66.4
\$5,000,000	87.5	68.5

¹ All figures exclude the Victory tax.

DETAILED DISCUSSION OF THE TECHNICAL PROVISIONS OF THE BILL

The bill reported by the Committee on Ways and Means amends part 2 of subchapter D of chapter I of the Internal Revenue Code to provide for collection at the source of an amount of tax on wages approximating the net Victory tax, the normal tax, and the first-bracket surtax. H. R. 2577 embodies the provisions of the committee bill with respect to the collection of the tax at source. Thus the wage earner is made current in the payment of his Victory tax and made current in the payment of his income tax to the extent of the normal tax and the first-bracket surtax.

CURRENT PAYMENT OF BASIC TAX TO WITHHOLD AT SOURCE

In order that the taxpayer whose income is not subject to withholding shall be in a position of parity with respect to discharge of tax liabilities currently, H. R. 2577 strikes sections 58, 59, and 60 of the Internal Revenue Code, which are cross-reference provisions, and inserts in lieu thereof new sections 58, 59, and 60, containing provisions under which the nonwithheld taxpayer becomes approximately equally tax current with the wage or salary earner. These sections correspond in their content as nearly as is appropriate to similar sections added in the committee bill.

The new section 58 of the code contained in section 4 of the bill outlines the requirements and procedure for the filing of declarations and the determination of the estimated basic tax. Under section 58 (a) a single individual, or one who is married but not living with husband or wife, is required to make a declaration with respect to his income from sources other than wages subject to withholding, if his gross income for the preceding taxable year from sources other than wages was in excess of \$100 and his total gross income was such as would have required his making a return for such preceding year had he been single during the whole of such year, or if his gross income from sources other than wages can reasonably be expected to exceed \$100 for the taxable year and his total gross

income can likewise be expected to be such as will require the making of an income-tax return for the taxable year. Every individual who at the time prescribed for the making of the declaration is married and living with husband or wife is required to make a declaration, if the gross income of the individual when added to that of his present spouse for the preceding taxable year from sources other than wages exceeded \$100 and would be such as to require the making of an income-tax return for the preceding taxable year had he been married and living with his spouse during the whole of such year, or if it can reasonably be expected that for the taxable year his gross income when added to the gross income of his wife from sources other than wages will exceed \$100 and the total gross income of himself and his spouse will be such as to require the making of an income-tax return of the taxable year. Nonresident aliens subject to withholding under the provisions of section 143, and estates and trusts are specifically excepted from the requirement of making declarations and likewise from the payment of tax currently.

Section 58 (b) prescribes the contents of the declaration required under subsection (a) and calls for a computation of the amount by which the estimated net income for the taxable year exceeds the wages subject to withholding or the estimated amount of the personal exemption and credit for dependents, whichever is the greater. Twenty percent of this excess is considered to be estimated basic tax for the year and under the requirements of section 59 this amount is required to be paid in four equal installments during the taxable year.

The following two cases will illustrate the method by which estimated basic tax for the year is computed: Taxpayer A estimates that his total net income for the taxable year will be \$3,000. He estimates that his wages subject to withholding during the taxable year will amount to \$2,000. He estimates that the personal exemption to which he will be entitled under section 25 (b) is \$1,200. Since the estimated amount of wages subject to withholding is greater than the amount of his personal exemption, the \$2,000 amount is subtracted from his total estimated net income leaving \$1,000 to which the 20-percent rate is applied, giving an estimated basic tax for the year of \$200.

Taxpayer B anticipates that during the taxable year he will receive no wages subject to withholding. He estimates that his net income will be \$5,000. The personal exemption which he anticipates will be allowable in his case under section 25 (b) is \$1,200, and in addition he has two dependents for whom he is entitled an aggregate credit for dependents of \$700. Taxpayer B will under these circumstances apply the 20-percent rate to \$3,100 (\$5,000 minus \$1,900) deriving an estimated basic tax for the taxable year of \$620.

Provision is made in subsection (d) of section 58 for the dates of filing of declarations. It being generally required that declarations must be filed on or before

the 15th day of the third month of the taxable year but in case that the requirements for filing are first met later in the year, or in case an amendment or revision of a previously filed declaration is made, such new declaration or any amendment or revision of a previous declaration shall be filed on or before the 15th day of the last month of any quarter of the taxable year. Only one revision or amendment of a declaration is permitted during any one quarter. Section 59 provides for the ratable increase or decrease of installments of estimated basic tax to reflect any increase or decrease in such tax liability by reason of an amendment or a revision. This section further provides that payment of the estimated basic tax shall be considered payment on account of the tax liability for the taxable year.

Subsection (b) of section 59 requires that only the amount of estimated basic tax paid shall be assessed by the collector. Thus the collector may not distraint for any unpaid installment for estimated basic tax. This provision, however, would not prevent the application of section 146 relating to the closing by the collector of the taxable year.

SPECIAL RULES FOR APPLICATION OF SECTIONS 58 AND 59

The new section 60 added by the bill contains special rules for applications of sections 58 and 59. In this section there is included in subsection (a) a special option available to farmers—being those persons whose estimated gross income from farming for the taxable year is at least 80 percent of their total estimated gross income from all sources—to file the declaration required for the taxable year on or before the 15th day of the last month of such year. By this provision recognition is given to the fact that those engaged in bona fide farming operation may find it difficult or impossible to estimate early in the year the income which will accrue to them since unexpected crop failures, market prices and the like, may have such a drastic bearing on the result of farming operations.

Subsection (b) of this section vests in the Commissioner the power to determine under regulations the applicability of the entire system of current payment of estimated basic tax in the case of short taxable years. Subsection (c) contains a rule of special application to the calendar year 1943 and calls for the filing of the first declaration of estimated basic tax on the 15th day of September rather than the 15th day of March. A similar provision with respect to fiscal years vesting in the Commissioner the authority to determine the proper filing date for the first declaration is included.

PENALTIES

Subsection (b) of section 4 of the bill makes several amendments of various penalty sections of the Internal Revenue Code designed to provide sanctions for the enforcement of the current payment provisions added by subsection (a) of that section. In general these penalties exactly parallel those to be found in the committee bill. Section 294 (a) of the Internal Revenue Code providing for additions to the tax is amended to in-

clude an addition to the tax of \$10 or 10 percent of the tax whichever is greater in a case of a failure to file a declaration within the time prescribed. For failure to pay any installment of the estimated basic tax, there is added to the tax an amount of \$2.50 or 2½ percent of the tax, whichever is greater. To prevent substantial underestimates of the estimated basic tax which is paid currently, a penalty is included in section 294 (a) which provides for an addition to the tax for the taxable year in the amount of 6 percent of any excess of 80 percent of the estimated basic tax computed on the actual net income over the estimated basic tax computed on the estimated net income in the declaration. In the case of farmers the tolerance limit before the operation of the penalty is 66⅔ percent instead of 80 percent.

PAYMENT OF TAX

Subsection (d) of section 4 of H. R. 2577 amends section 56 (b) of the Internal Revenue Code relating to payment of tax in installments. It changes the existing provisions with respect to individuals who will be subject to current collection of basic tax liability as follows:

The installment privilege may be obtained by individual taxpayers, in which case the first installment shall be an amount equal to the sum of the basic tax and one-fourth of the balance of tax liability. In a definition included in this subsection, basic tax is defined to mean in the case of a taxpayer making a return under supplement T, the total income-tax liability, plus the Victory tax. In the case of other individual taxpayers, basic tax constitutes the normal tax plus an amount equal to a percentage of the surtax net income at the first bracket rate of surtax and the net Victory tax liability. In the case of both the supplement T and other individual taxpayers, any additions to the tax for which the individual may be liable by reason of a failure to file a declaration, failure to pay any installment of estimated basic tax, or failure fully to declare the estimated basic tax, are included as part of the basic tax and must, therefore, be paid as part of the first installment of the tax. The effect of this subsection, therefore, is that after the date upon which the tax return for a taxable year is filed and the payment of the installment which is required to accompany the return, there is left to be paid in the remaining three installments only three-fourths of the liability for surtax in excess of the surtax computed at the first bracket rate.

TRANSITION YEAR

Section 5 of the bill contains the special provisions required to provide for the transition period by the reduction of the liability for tax for taxable years commencing in 1942 to the extent of the comparable equivalent of the estimated basic tax which is required to be collected currently in 1943. Subsection (a) of this section provides that the section shall be applicable with respect to taxable years beginning in 1942, but shall not take effect until September 1, 1943. This provision is included to insure that the flow of tax money into the Treasury

will not be decreased during the period of transition. Thus, even though H. R. 2577 were passed and would become law, and the taxpayers would be apprised of the reduction in their 1942 tax liability, they would not be entitled to reduce their payments with respect to their 1942 tax liability to take account of the reduction in tax on their June 15 installments. Subsection (b) provides that the tax imposed under chapter I of the Internal Revenue Code for taxable years beginning in 1942 shall be the tax computed without regard to the section, less an amount equal to the sum of the normal tax plus 13 percent of the surtax net income for such year. Subsection (c) provides a special rule of forgiveness applicable to persons making return for the calendar year 1942 under supplement T. Since the tax imposed under supplement T is incapable of being broken down into normal and surtax, and since a person entitled to make a return under supplement T necessarily has income of an amount with respect to which only basic tax would be due in most instances, the tax liability for such supplement T taxpayers for the year 1942 is canceled and discharged.

Subsections (d) and (e) contain special rules with respect to short taxable years and any reduction where there is a credit for foreign tax. Subsection (f) provides that the section is inapplicable to an estate, trust, or nonresident alien, subject to withholding under section 143 (b) of the code.

Subsection (g) relates to the manner in which the reduction of the tax effected by the earlier subsections is reflected in tax payments or by way of refund or credit. It is provided that the amount by which the tax is reduced shall, if the taxpayer elects to pay the tax in installments, be prorated to the four installments of the tax. The amounts prorated to the installments falling due after September 1, 1943, are to be applied in reduction of each such installment and any payment made prior to September 1, 1943, on account of the reduction in tax shall be treated as a payment of estimated basic tax for the 1943 taxable year. Thus, in the case of a taxpayer on a calendar-year basis, when September 15 arrives, such taxpayer will file his first declaration, estimating his net income and computing his estimated basic tax for the year 1943. In this declaration he will treat as payments on account of the estimated tax liability the amount by which the 1942 tax is reduced, which has already been paid by him earlier in the year 1943. The taxpayer will be required to accompany his first declaration with a payment on account of his estimated basic tax liability but at the same time if he is a taxpayer who elected to pay his 1942 tax in installments, the payment required on account of the September installment of 1942 tax will be correspondingly reduced. If the total tax liability for 1942 was paid by the taxpayer at the time of filing his return on March 15, the declaration filed by him on September 15 will show a larger payment with respect to the estimated basic tax for the year 1943 and in all probability

little or no further payment will be necessary during the year to liquidate the estimated basic tax liability. These illustrations proceed on the assumption that the taxpayer's income is fairly constant from year to year and that his status for personal exemption and dependency credit are likewise stable.

PROVISIONS RELATING TO THE ARMED FORCES

Sections 6 and 7 of H. R. 2577 contain provisions identical with those to be found in the committee bill relating to additional exclusions from gross income of compensation received for services performed as a member of the military or naval forces, and abatements with respect to tax liabilities owing by persons who die while in active service as a member of the military or naval forces.

THE EFFECT ON CURRENT REVENUE

In proposing a remission of the basic liability for all taxpayers I fully safeguarded current Treasury receipts by imposing a withholding tax equal to the amount remitted. To make sure of that situation I wrote Treasury General Counsel Randolph E. Paul for his latest estimate. Under date of April 19 he wrote that under my proposal Treasury receipts from January 1, 1943, to June 30, 1944, will be increased \$411,000,000; for the calendar year 1943, \$519,000,000, and for the fiscal year of 1944, \$593,000,000, and that makes allowance for the estimated loss of revenue by the proposed exclusion of the excess of \$3,500 of personal exemption from the base pay of our armed forces.

SUMMARY

For the following reasons I respectfully submit the plan I have proposed is the soundest and most practical of all the pending proposals:

First. It will make 96 percent of the taxpayers current in 1943, which, coupled with collection at the source, makes it a pay-as-you-go tax plan.

Second. It is fair because every taxpayer receives the same tax advantage, namely, the remission of his basic tax liability of the first nineteen units.

Third. It involves no hardship, since there is no doubling up under my proposal. The 4 percent of the taxpayers not made fully current receive a substantial abatement of their 1942 tax liability and will pay the remainder in the future as they have done in the past.

Fourth. Current collections will be measurably increased and the Ways and Means Committee, when it takes up the 1943 rate bill, will be given an opportunity to investigate other sources of tax revenue before deciding that nearly \$2,000,000,000 per year of additional income taxes shall be imposed without regard to the effect of that imposition upon a large group of white-collared workers who, as yet, have not shared in the new war income.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON of Kansas. Mr. Chairman, no problem is permanently solved until it is correctly solved. The tax problem is no exception to this rule. The question: Should we place our per-

sonal income taxpayers on a current basis? is one that must be met by Congress. No one, I believe, can study our tax structure without reaching the definite conclusion that the personal income-tax debt has become a danger to the solvency of the Treasury and a millstone around the neck of the taxpayer.

The members of the House of Representatives will have an opportunity to again vote for a bill that will collect taxes on current income for current liability. Tomorrow I plan to offer a substitute bill for the proposal that has been submitted by the majority members of the Ways and Means Committee. The bill I expect to offer as a substitute embodies the basic principles of the Ruml plan. With two modifications the amendment I am offering is similar to H. R. 2245, which was rejected by the House a few weeks ago by a vote of 215 to 198. Following this vote the House then recommitted the bill submitted by the majority of the members of the Ways and Means Committee by a vote of 248 to 168.

A number of bills and proposals have been studied by the Ways and Means Committee during the past few months.

Generally speaking, there are two methods of getting our income taxpayers current. First, you can collect 2 years' taxes in 1 year—that is, you may think you can—or secondly, you can advance the tax liability 1 year—in other words move the tax clock ahead 1 year. This second proposal has the approval of a large majority of our people. It is the plan that has been proposed by Mr. Beardsley Ruml. Unfortunately, the majority members of the Ways and Means Committee are very much opposed to this plan. In fact, they are so much opposed to it that they, in their new bill, moved the tax clock back 1 year instead of moving it forward 1 year. Thus, their bill becomes the Ruml plan in reverse. If the purpose of the setback is to give the scheme a semblance of equity, why not move the tax clock back to 1913 when the inequity started.

I sincerely hope every member will study the "reverse Ruml" proposal that has been offered by the Committee and the proposal I expect to offer as a substitute. It is not my intention to devote much time to a discussion of the committee bill as it is well analyzed in the committee report which is now available. Under the bill reported by the majority of the committee only a fraction of the 44,000,000 taxpayers would be made immediately current. Those who would be made current are the new taxpayers this year brought in under the 1942 Revenue Act.

Last year the Ways and Means Committee spent several months writing a new tax bill. Under the committee proposal we admit the increases in taxes were not necessary and that our committee labors were wasted effort. Now it is proposed under the committee bill that the 7,000,000 new taxpayers who were brought in under that bill shall have their tax abated. This is an "on again, off again, gone again Finnigan" type of tax collection.

Income taxpayers who had a tax liability in 1941 can only become current by a substantial doubling up in their tax payments during the next 3 years. They become immediately current by paying 2 years' taxes in one, namely, the 1941 tax applied to the 1942 income, plus the 1943 tax. In effect, the bill is an additional tax superimposed on present taxes.

The American people want to pay their taxes currently and therefore the House should adopt a bill that will place them on a current basis. This can be done in a simple manner and without loss to the Treasury. It is my firm conviction that they want to become current immediately and do not want any doubling up of their tax burden.

Under the amendment I have offered every taxpayer with a net income of less

than \$5,000 becomes current immediately. The 1942 tax liability becomes the tentative 1943 tax liability.

According to Treasury estimates for 1942 this means that over thirty-seven and a half million out of thirty-eight and a half million of our personal income taxpayers become automatically current under my proposal. These taxpayers whose personal income is in excess of \$5,000 become current by paying either the 1942 tax liability or the 1943 tax liability, whichever is greater and by making an adjustment on taxes for abnormal or war income. Every effort is made in my bill to safeguard against windfalls through tax abatement.

The following table gives the number of income taxpayers in the various income brackets:

Estimated number of taxpayers under the present law (excluding the Victory tax) at net income levels estimated for the calendar year 1942, distributed by net income classes

Net income class (thousand dollars)	Simple distribution		Cumulative distribution from lowest income class		Cumulative distribution from highest income class	
	Amount (thousands)	Percentage distribution	Amount (thousands)	Percentage distribution	Amount (thousands)	Percentage distribution
	Number	Percent	Number	Percent	Number	Percent
Under 1.....	9,385	24.17	9,385	24.17	38,831.5	100.00
1-2.....	17,363	44.71	26,748	68.88	29,446.5	75.83
2-3.....	6,887	17.74	33,635	86.62	12,083.5	31.12
3-4.....	2,697	6.95	36,332	93.75	5,196.5	13.38
4-5.....	1,176	3.03	37,509	96.60	2,499.5	6.43
5-10.....	943	2.43	38,452	99.03	1,322.5	3.40
10-25.....	299	.77	38,751	99.80	379.5	.97
25-100.....	75	.19	38,826	99.99	80.5	.20
100-200.....	4.3	.01	38,830	100.00	5.8	.01
200-500.....	1.2	(1)	38,831.2	100.00	1.5	(1)
500-1,000.....	.2	(1)	38,831.4	100.00	.3	(1)
1,000 and over.....	.06	(1)	38,831.5	100.00	.06	(1)
Total.....	38,831.5	100.00				

¹ Less than 0.005 percent.

NOTE.—Figures are rounded and will not necessarily add to totals.
Source: Treasury Department, Division of Research and Statistics, Feb. 5, 1943.

I feel I must comment on the Treasury's definite position for or against tax legislation before Congress. When the previous bill submitted by the majority of the committee was before the House the Secretary of the Treasury, Mr. Morgenthau, stated he was 100 percent for the committee bill. Last Friday, Mr. Randolph Paul, General Counsel for the Treasury, assured the country in a press release that the Treasury was enthusiastically in favor of the new committee proposal. One would gather from these statements that the Treasury was for any bill proposed by the majority, regardless of its merits or demerits.

In this country the Government is still the servant of the people—and neither the Treasury nor any other department of the Government has the right to impose its will on the people without their consent. It is the Treasury's function to recommend the amount of revenue which should be raised, and to collect that revenue, but it is the function of the people speaking through Congress to determine how the revenue shall be obtained. The economic welfare—in the immediate future and over the long term—of the people, both as individuals and as a Nation requires a basic reform in our income-tax law.

Tax collections must be current. Collections would be much easier—the problem of widespread defaults in case of

economic slumps would be eliminated—and our vast national bookkeeping system would be on a much sounder basis. These advantages are admitted by the Treasury and other stubborn opponents of a tax system that will collect taxes on current income for current liability.

The inherent evil of the present tax-collection system will have repercussions on the economic lives of the whole present generation of taxpayers unless it is corrected at the earliest possible moment. This may best be illustrated by giving an example, admittedly oversimplified but essentially typical.

When the income-tax law was passed in 1913, it had one major defect which was not recognized as such at the time but was rather adopted as an expedient: Collections did not start until 1914, but they applied to 1913 income. Insofar as John Smith, taxpayer, was concerned, he in effect started to pay taxes retroactively in 1914. For years he went along on this basis, but it did not seem particularly important because rates were low, he was able to pay his tax fairly easily, and at the same time he managed to save a little money. Now, however, the tax rate has gone up sharply and will go up even more. It becomes a real hardship for Mr. Smith to pay his taxes every year—and always on last year's income. Suppose that he becomes 65 and is forced to retire from business.

The year after his retirement, his current income has stopped and he is trying to live on whatever he has been able to sacrifice over many years to save—but he still owes a large tax bill for last year's income. He must use a substantial part, perhaps the major part of his life's savings to pay this income tax.

Suppose again that John Smith has not worked a full lifetime, but rather that after being employed for 5 or 10 years he loses his job through no fault of his own. It is even more likely in this case—in fact it is almost certain—that most of whatever savings he has will be required to pay the tax on the income he received the last year he worked, and he will have no cushion to fall back on during the readjustment period which he must go through.

It will be argued that the taxpayer knew as soon as the tax bill was passed that he would have to pay a tax on the income he was receiving in 1943 and that he should have begun immediately to set aside a part of his income for that purpose. Similarly, anyone who started to work in 1941 or 1942 knew that he would have to pay high taxes on his income and should have made proper arrangements to have the money ready. This argument is worthless in face of the actual fact—people do not do it. As a result of the income-tax payment tradition of this country, 99 people out of 100 are a year behind in tax payments, and, from a psychological standpoint, it would be impossible to change that tradition by any method short of compulsion.

Because of our present tax system, then, men and women who reach the age of retirement or who become sick or disabled or who lose their jobs find themselves with an unbearable load of tax indebtedness, a load which is a severe hardship and which can only be borne by wiping out savings which have accumulated over years of work. Furthermore, the realization that to stop working for any reason means to be faced with a heavy indebtedness which cannot be paid will result increasingly in economic inflexibility.

The Treasury admits pay-as-you-go tax collection is desirable. They also admit there would be no loss in current revenue. Under my proposal, the Treasury would collect thirteen and a half billion dollars in 1943, instead of \$10,000,000,000, as under existing law. That is important from a revenue standpoint, and it is most important in siphoning off inflationary money.

The proposal I am offering as a substitute to the committee bill is the only sound and simple method of placing our income taxpayers on a current basis immediately. I want to urge the House to adopt this substitute to the committee bill for the following reasons:

First. It accomplishes the objective of placing taxpayers on a current pay-as-you-earn basis immediately and not at some distant time.

Second. It involves no doubling up in payments.

Third. It treats all taxpayers equitably and is the only plan which abates the 1942 tax assessment on the same pro-

gressive principle by which it was imposed.

Fourth. It is simple to understand and simple to put into operation and to administer.

Fifth. It is the only plan which meets every problem squarely, openly, fairly, and honestly.

The amendment I am offering is the one plan, the only plan, that will answer the demand for current pay-as-you-go taxation. All other plans considered by the Ways and Means Committee, of which there were many, either failed to make the taxpayers current or required doubling up of taxes. When the House passes final judgment as between my proposal and the committee bill, I am confident that the will of the overwhelming majority of the sovereign people will this time triumph.

Mr. CUNNINGHAM. Will the gentleman yield?

Mr. CARLSON of Kansas. I yield to the gentleman from Iowa.

Mr. CUNNINGHAM. The reason that he pays on 1942 instead of 1943, after you give him credit for his 1942 income, is because in another place in your bill you require that man to pay his 1943 tax payable in 1943 in the year that is the higher?

Mr. CARLSON of Kansas. That is correct.

Mr. CUNNINGHAM. That has not been brought out.

Mr. CRAWFORD. Will the gentleman yield?

Mr. CARLSON of Kansas. I yield to the gentleman from Michigan.

Mr. CRAWFORD. May I ask the gentleman how the normal formula is arrived at? Make it as brief as you care to. You deduct from him 1942 or 1941, whichever is lower in normal income?

Mr. CARLSON of Kansas. I go back to the income tax on 1941, the same as the committee goes back to 1941.

Mr. CRAWFORD. You use that as the normal income?

Mr. CARLSON of Kansas. Yes. I may say in a general way that in the excess-profits tax we established a base of 4 years. Except for the administrative difficulty I can see where that might have some advantages, but after all, we must remember that there are administrative difficulties in working out any tax-collection program.

Mr. CRAWFORD. Are the declaration provisions in your bill, sections 58, 59, and 60, the same as in the committee bill?

Mr. CARLSON of Kansas. They are absolutely the same as the committee bill. There is no difference between my bill and the committee bill, except as we deal with the 1942 tax liability.

Mr. CRAWFORD. I was home all last week, and I heard a comment over the radio to the effect that there had been reached an agreement between the members of the Ways and Means Committee that if these bills were adopted, or something out of this, they did not intend to have an additional revenue bill this year. I would like to clear that rumor up, which was given to my section of the country through a radio commentator. Can the gentleman give us any information on that?

Mr. CARLSON of Kansas. I will have to say to the gentleman from Michigan that he will have to get that from the chairman of the Committee on Ways and Means. I would not be able to answer that question.

Mr. ENGLEBRIGHT. Will the gentleman yield?

Mr. CARLSON of Kansas. I yield to the gentleman from California.

Mr. ENGLEBRIGHT. One of the main oppositions to this bill by the administration has been the statement that it favors the rich man and discriminates against the poor man, or the medium-class taxpayer. Will the gentleman comment on that statement?

Mr. CARLSON of Kansas. Only to this extent: My bill makes thirty-seven and one-half million income taxpayers who are now under \$5,000 current. It makes their 1943 tax liability their 1942 tax liability and I think we are taking care of that group very well. For these folks who are over that amount, I have windfall provisions that I think eliminate any undue enrichment from tax abatement.

Mr. DWORSHAK. Will the gentleman yield?

Mr. CARLSON of Kansas. I yield to the gentleman from Idaho.

Mr. DWORSHAK. The gentleman has explained his anti-windfall provision, but in case a taxpayer makes a wartime income or enjoys a wartime income in both 1942 and 1943, is it not true he has an abatement of either one of the 2 years' income?

Mr. CARLSON of Kansas. No, that is not correct. In the first place, he has to pay the higher of the 2 years. Let us take the case of a man who in 1941 had an income of \$50,000, in 1942, because of the war he had an income of \$250,000, and in 1943 it was not quite so good, but he had an income of \$200,000. In that case he would have to pay on the 1942 tax liability of \$250,000; secondly, he would go back to 1941 and he would subtract the fifty thousand, which we presume was fairly normal, from the \$200,000, and he pays on that difference, or on the \$150,000, at the regular income-tax rate.

Mr. MICHENER. That is in addition?

Mr. CARLSON of Kansas. That is correct.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from Iowa [Mr. CUNNINGHAM].

Mr. CUNNINGHAM. Mr. Chairman, the committee bill and the Carlson bill are identical in one particular. Under both bills the taxpayer's liability for tax will be advanced to the end that his 1943 tax will be payable in 1943, his 1944 tax will be payable in 1944, his 1945 tax in 1945, his 1946 tax in 1946, and so on from now on out, instead of paying his taxes in the year succeeding the year in which they become due, as under the present plan.

Aside from that one similarity, where the bills are 100 percent alike, they are different in every other provision except that they are not completely different in all other provisions. For example, the present committee bill recognizes and will put into effect the fundamental principles

of the Carlson-Ruml bill insofar as 7,000,000 taxpayers are concerned. If you doubt that, look at the last paragraph on page 2 of the majority report of the committee. It tells you there in so many words that 7,000,000 taxpayers will pay no taxes on their 1942 income. Secondly, it recognizes and puts into effect approximately 50 percent of the fundamental provisions of the Carlson bill for the remaining 37,000,000 taxpayers. You will get that on page 3 of the majority report of the committee. It does this because all of the 1942 taxes for 7,000,000 new taxpayers will be forgiven and approximately 50 percent of the 1942 taxes will be forgiven for the remaining 37,000,000 taxpayers.

I ask you if it is right, just, and equitable to forgive all of the 1942 taxes for 7,000,000 taxpayers and approximately one-half of the 1942 taxes for the remaining 37,000,000 taxpayers, then does it not obviously follow as logical and reasonable that it will be more equitable to forgive all of the 1942 taxes for all of our taxpayers?

How can a government that has existed for 150 years on the principle of equity and justice for all countenance such a plan as the committee bill, that discriminates between the small taxpayers? It is an octopus with an abundance of tentacles but without any head.

A tax bill to be just must be bottomed upon an equitable foundation. The committee bill is without a sound foundation.

Wherein do the two bills differ? First, the Carlson-Ruml bill will bring into the Federal Treasury in 1943 more revenue than the committee bill; that is, the Carlson-Ruml bill will bring into the Federal Treasury, more than the committee bill, the excess of what the so-called war millionaires will pay into the Federal Treasury this year, as explained by the gentleman from Kansas [Mr. CARLSON] a moment ago. That will be the increase to the Federal Treasury under the Carlson-Ruml bill in 1943 over the committee bill. This is an improvement over the prior Carlson bill in that large windfalls to individuals or to the so-called war millionaires will now be impossible.

After 1943 every individual taxpayer will be treated exactly alike under the Carlson bill, with no doubling up on the poor man and with no unpaid tax burden hanging over the heads of a large number of our people when this war is over.

For example, under the committee bill a man who had \$5,000 income in 1942 and is married will pay, according to the majority report of the committee, \$119.20 next year, in 1944, in addition to his regular 1944 taxes payable currently. In 1945 he will pay the same, \$119.20, and in 1946 he will pay the same amount plus his regular normal taxes payable currently in 1946.

A man who is married and had a \$10,000 income for 1942 will pay this year under the committee bill just his normal tax for 1943, but next year, in 1944, he will pay his full 1944 taxes, plus \$430.64, which is one-third of the unforgiven part of his 1942 taxes; in 1945 he will pay that same \$430.64, in addition to his nor-

mal tax for 1945, that being the second third of the unforgiven 1942 taxes; and in 1946 he will pay that same \$430.64, being the last third of the unforgiven portion of his 1942 taxes, plus the regular taxes due and payable on the current basis in the year 1946.

If this Congress wishes to place the taxpayers of America on a sound pay-as-you-go plan without loss of revenue to the Federal Treasury and without hardship to any except a few war millionaires, there is only one choice, namely, the Carlson bill.

Mr. MORRISON of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. CUNNINGHAM. I yield to the gentleman from North Carolina.

Mr. MORRISON of North Carolina. Suppose a man draws a salary or has wages that are taxable, they alone are embraced in the pay-as-you-go plan in both bills.

Mr. CUNNINGHAM. Yes.

Mr. MORRISON of North Carolina. Suppose he has other income derived from business transactions or income from property, he does not pay as you go on that income, does he?

Mr. CUNNINGHAM. Yes.

Mr. MORRISON of North Carolina. How?

Mr. CUNNINGHAM. He will under both bills by making regular returns as called for by the Federal Treasury.

Mr. MORRISON of North Carolina. How will he pay as you go on his income other than salary or wages? How do you compute that?

Mr. CUNNINGHAM. I believe the gentleman is confused in that no one goes on a pay-as-you-go basis except those as to whom there is an opportunity to withhold from their salary.

Mr. MORRISON of North Carolina. Exactly.

Mr. CUNNINGHAM. That is true under either bill.

Mr. MORRISON of North Carolina. Therefore, both bills segregate the salary drawers and the wage earners and take from their salaries or earnings monthly or quarterly payments.

Mr. CUNNINGHAM. That is on the withholding feature only.

Mr. MORRISON of North Carolina. But that cannot be done as to the income other than salaries and wages of those who are subjected to the pay-as-you-go plan.

Mr. CUNNINGHAM. That is right, but the wage earner or salary drawer would have to pay taxes on his other income just the same.

Mr. MORRISON of North Carolina. Finally.

Mr. CUNNINGHAM. At the end of the year, or at the time he makes out his return.

Mr. MORRISON of North Carolina. But he does not pay-as-you-go on anything except his salary or his wages.

Mr. CUNNINGHAM. I will put it this way: He does not pay-as-you-go on anything except that which is earned in such a manner that it can be withheld.

Mr. MORRISON of North Carolina. Yes. Therefore, all taxpayers pay in the way they now pay except the drawers of salaries and wages.

Mr. CUNNINGHAM. Except that they are current. They are not paying on last year's income, they are paying on each year's income as that year progresses.

Mr. MORRISON of North Carolina. How can they pay it until the year is out?

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. CUNNINGHAM. I yield to the gentleman from New York.

Mr. REED of New York. In other words, it is not necessarily a question of weekly or monthly payments; the fact is that no matter where their income arises they pay their 1943 taxes out of their 1943 income. Therefore, at the end of the year they are current.

Mr. CUNNINGHAM. Yes.

Mr. MORRISON of North Carolina. But you do not withhold anything except salaries and wages.

Mr. CUNNINGHAM. You do not withhold except when it is earned under a condition so that it can be withheld.

Mr. MORRISON of North Carolina. That is the point and I want to get it clear.

Mr. CUNNINGHAM. If you have an income from property, like an apartment house or something of that sort which is earned in such a way that it can be withheld by the person who pays you, I have no doubt the Treasury will work that out. But that does not make any difference. He pays taxes just the same.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. CUNNINGHAM. Yes.

Mr. COOPER. It is true that the withholding tax placed on wages and salaries begins July 1 of this year?

Mr. CUNNINGHAM. Yes.

Mr. COOPER. And for a single person with \$2,700 and a married person with \$3,500, that makes them current. For all other taxpayers, with wages and salaries above the amount stated, from all other sources, they are required to file their declarations by March 15, and pay quarterly during the calendar year.

Mr. MORRISON of North Carolina. On all income?

Mr. COOPER. On all income.

Mr. CUNNINGHAM. That is true, as to both bills.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. CUNNINGHAM. Yes.

Mr. DONDERO. At what rate of tax does the man pay whose income is from other than salaries or wages, in order to remain current?

Mr. CUNNINGHAM. It is just the same as on wages.

Mr. DONDERO. The gentleman means 20 percent withholding tax?

Mr. CUNNINGHAM. No; that is not the rate. The rate is computed under the present bill which we passed last year.

Mr. DONDERO. That is 1942?

Mr. CUNNINGHAM. Yes.

Mr. DONDERO. So the rate of taxes will be the same?

Mr. CUNNINGHAM. Yes; in conclusion, under the Carlson bill there will be no doubling up, except for the very few. It will produce more revenue in 1943. It will not create chaos when the war is

over. Each bill recognizes the principle of forgiveness. Why not go all the way, as the Carlson bill does?

The CHAIRMAN. The time of the gentleman from Iowa has again expired.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. SAUTHOFF].

Mr. SAUTHOFF. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include an amendment without reading, which I propose to offer tomorrow.

The CHAIRMAN. Is there objection? There was no objection.

Mr. SAUTHOFF. Mr. Chairman, the amendment which I propose to offer is as follows:

Amendment proposed by Mr. SAUTHOFF to H. R. 2570. At the end of the bill insert the following:

"Sec. 9. Publicity of returns and declarations.

"(a) In general: Section 55 (a) (2) of the Internal Revenue Code (relating to publicity of returns) is amended (1) by striking out 'this chapter', and inserting in lieu thereof 'this chapter by persons other than individuals, and all returns made under'; and (2) by inserting after the period at the end thereof the following, 'All returns and declarations made under this chapter by individuals shall constitute public records and shall be open to public examination and inspection.'

"(b) Effective date.—The amendments made by subsection (a) shall be effective only with respect to returns and declarations made after the date of the enactment of this act."

This amendment, Mr. Chairman, restores the publicity of Federal income taxes. Federal income taxes should be made public for two outstanding reasons:

First. To bring into the glare of the spotlight the profits being made out of this war; and

Second. To give to draft boards an opportunity to check on claims for deferment of those eligible to the draft because of dependency.

We frequently hear it said that no millionaires are being made out of this war. That statement is absolutely false, as many millionaires are being made out of this war and every effort should be made to prevent it. If this is a total war, as has been frequently said, and if we are all called upon to make sacrifices, then no one should be permitted to grow rich out of it. It seems an astounding fact, and yet it is true, that Congress is expected to act intelligently in regard to war profits, yet Congress has done nothing about it except to pass an act calling for the renegotiation of war contracts. We should be able to check the Federal income-tax returns of those dealing with war necessities so that we can ferret out any injustices and inequities which are arising in this huge program.

Our experience in the last war should have taught us a lesson, namely, that many gross inequities, unjustifiable expense accounts, padded pay rolls, and other criminal devices were resorted to in order that huge profits might be reaped. There is no doubt that the same thing is occurring in this war, and the searchlight of publicity on the income-tax returns would bring much of it into the open.

The second reason why we should have publicity of Federal income-tax returns is the draft dodging which is now being perpetrated on the grounds of dependency. Draft dodgers are advising their draft boards that someone or other is dependent upon them and the draft boards have no method of checking on these statements to find out whether they are true or false. It is my contention that there ought to be an opportunity for draft boards to check on these statements and find out whether or not they are true. The special subcommittee of the Military Affairs Committee of the House, headed by the gentleman from California, JOHN COSTELLO, is now bringing to the surface some of those who have resorted to dependency cyclone cellars to evade the draft. The preliminary report of the Costello committee shows that some 840,578 young men between the ages of 18 to 38 are safely protected from the draft in Government service. Not all of these young men have obtained a deferred classification on the grounds that they are indispensable to the Government but many have obtained a deferred classification on the grounds of dependency. A flagrant case which was recently brought to light showed that the dependency claimed was the young man's mother, while a check-up of real estate holdings in that case disclosed that she owned two apartment buildings. This is only one case of fraud that was unearthed by accident. How many more could be unearthed if the Costello committee had access to the Federal income-tax returns. In justice to the young men who are at the front, in justice to their beloved ones at home these violations of the Selective Service Act should be brought to light and the best way is to turn the glare of publicity upon the income-tax returns, both of the selectee and his dependents.

I trust this amendment will be adopted.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from Tennessee [Mr. JENNINGS].

Mr. JENNINGS. Mr. Chairman, this measure to relieve the taxpayers is uppermost in the minds of the people of this country. I represent a district which is a cross section of America. It has great industries. Our people have great agricultural resources. We have people engaged in every activity in which the American people are employed. Without exception during the last week which I spent among my home people, not a single individual voiced opposition to this Rumr- Carlson plan of taxation. The great question that is addressing itself to the people of the country who must bear the load of taxation with which we undertake to fight this world-wide war, is how will we meet the ever-increasing cost of Government, how can we make the payments in the way of taxes that our Government is calling upon us to make.

It has been said that we must not help the many because we might help the few. We must refuse to help 44,000,000 taxpayers for fear some so-called rich man may benefit. If the tax rate of any

county in the United States is reduced as much as \$1 on the \$100 worth of property, the owner of a \$1,000 home is saved \$10; the owner of a \$10,000 farm is saved \$100. So it is all individual income taxpayers are treated exactly alike under the Carlson bill. Now, when this war is over and when its cost, as a burden of indebtedness, bears down upon the backs of the American people, in my candid opinion there will not be any rich men in America. The American taxpayer is undertaking to swim across the flood tide of a national indebtedness and tax exactions with a millstone of indebtedness that this present administration has put around the neck of the American taxpayer. It is now proposed, when our national debt limit has been raised to \$210,000,000,000, when we are undertaking to finance not only the war efforts of this Nation but that of all of our allies, and not content with that we are going out and forcing our gifts upon people who have not asked for them under the name and guise of the good neighbor policy—and I am not opposed to that within sane bounds—it is now proposed that we put upon the back of the taxpayer, as he undertakes to swim across this flood tide of governmental exaction, an additional load. Everybody knows that the American people, the American taxpayer in every walk of life, desire to be put upon a current, pay-as-you-earn plan. Ours is a simple plan. We simply move the hands of the clock up and we say that from henceforth until death a man shall pay the tax that his Government exacts of him out of the earnings that he shall make in each year that he shall hereafter live. We say that when death comes and the breadwinner ceases to earn, the Federal tax gatherer must stay out of the broken family circle. We say that the tax collector must halt at the grave.

Now, whose Congress is this? Whose Government is it? Who is it that has the right to say how much and in what manner our people shall pay? I conceive this to be a representative body, representative of the people, who, due to their vast numbers, cannot come here and, in person, register their will with respect to this tax bill. The only voice they can utter here, the only representation that they have here, is their elected Representatives. The polls all show and we all know that probably 90 percent of the people want to move the hands of the clock up and put taxpaying on a current basis. If they could come here and so express themselves, are they not the source of power? Have they not the right to say by what method they shall be taxed? And by the same token have we not, as Representatives, the right, yea, the duty, to register their will upon this subject?

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. JENNINGS. I yield to my distinguished friend from Minnesota.

Mr. KNUTSON. I presume the gentleman read the report by Mr. Stettinius, that something like 10 or 12 billion dollars had been given to our allies from lease-lend? Not a word was said against that, but when it is proposed to cancel 1

year's tax of the American people, through which operation the Treasury will not lose a cent, we hear all this hue and cry.

Mr. JENNINGS. Yes, and it is absolutely beside the mark. Those who oppose this bill strain at a gnat and swallow a camel. They have billions for all the world—but not 1 cent for the American taxpayer. The truth of it is I sometimes think that what is going on here in Washington by some people can best be expressed by the old nursery rhyme:

There was a man in our town and he was wondrous wise.

He jumped into a bramble bush and scratched out both his eyes.

And when he found his eyes were out, with all his might and main,

He jumped into another bush and scratched them in again.

They have scratched out the financial solvency of the people of this country and now they propose to jump into the bramble bush of double taxation and finish off the American taxpayer. Heretofore, we have sheared him annually—now it is proposed to skin him.

I have heard the argument made that it ought not to be done because we have got a few so-called rich men. I thank God for the fact that under the American system and under our economic set-up and under the equality of opportunity that our system has afforded to men in every walk of life, we have some rich men. I do not hold any brief for Henry Ford, but I am glad that he started life with a pair of blue overalls and a monkey wrench and the genius that God Almighty put into his brain, and became a millionaire, because he made other men rich and paid the highest wages that up to that time had ever been paid to the American workingman and covered this whole country with a network of highways that are animated ribbons of concrete from ocean shore to ocean shore.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. JENNINGS. Yes; I gladly yield to the distinguished gentleman from Michigan.

Mr. DONDERO. I might say to the gentleman from Tennessee that the plant at River Rouge now employs 110,000 men.

Mr. JENNINGS. Of course. And at that great plant bombers are being turned out that mean victory. In my town we have a man born with inventive genius. Weston M. Fulton started from scratch. Today there is a plant in Knoxville, Tenn., that makes instrumentalities without which we could not operate our submarines. Mr. Fulton is no longer at its head, but other men have trod in his footsteps, men who had inventive genius and vision. They are at the head of a great industry there that employs over 3,000 men, women, boys, and girls in a defense industry. Who would begrudge that man the money he made by founding that great enterprise?

I heard the very distinguished gentleman from Oklahoma, a man whom I greatly admire, come down here and go on the mound as the pitcher for the majority. He has a marvelous change of pace. He can throw a hard ball, a slow

ball, or a curve ball, and he is ambidextrous and can throw either with the right hand or with the left hand. The most profound argument that he adduced against the Carlson-Ruml plan was that Mr. Ruml on a certain occasion wore a coat of lilac hue. He built much of his argument on clothes Ruml is said to have once worn. According to that we should take the picture of George Washington off the wall of this Chamber and throw it and his Farewell Address into the discard, because the old boy wore silk stockings and silk pantaloons and a powdered wig and a ruffled shirt. When we get ready to write a tax plan for the American people we ought to discard the distinguished gentleman from North Carolina [Mr. DOUGHTON], who heads this great committee, and send for Mahatma Gandhi with his diaper and his nanny-goat and put him at the head of the Ways and Means Committee of this House; that is, if the soundness of a man's views are to be determined by the color or quality of his clothes.

I am for the preservation of the American taxpayer. The time will come if we continue on down the slippery, steep road we are now on to the precipice that leads to the bottomless pit, the abyss of financial bankruptcy and ruin, the time will come when we can put a taxpayer on exhibition and make money charging admission for people to see him.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

The Chair wishes to state that the gentleman from Minnesota has 4 minutes and the gentleman from North Carolina 6 minutes before the Committee rises under the order of the House.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Nebraska [Mr. CURTIS].

Mr. CURTIS. Mr. Chairman, in the passage of the tax bill which we are now considering, it is hoped that the American taxpayer may be placed on a pay-as-you-go basis so that he may meet his obligations to the Treasury of the United States as he earns.

I shall support the Carlson bill. I have an amendment to offer to the withholding-tax provisions which would apply not only to the Carlson bill but to the Doughton bill and to the Robertson-Forand bill. I expect to offer this amendment to the bill that is first offered as a substitute. If that substitute is rejected I will offer it on the later substitutes and, if they are rejected, to the committee bill. The amendment that I propose is as follows:

Following subsection (i) of section 466, add a new subsection as follows:

"(j) Upon the request of an employee, made at the beginning of any taxable year, the employer shall, before withholding the tax as provided in this section, deduct from the amount of wages paid to such employee the average amount for each pay-roll period of the religious, educational, charitable, and other contributions as defined in section 23 (c) of the Internal Revenue Code, which the employee certifies he will pay during the current year."

Mr. Chairman, we are legislating for a long time to come. If the foregoing amendment is adopted, it will mean a great deal to our churches, our colleges,

our charitable and humanitarian institutions. The substance of the foregoing amendment has been endorsed by the United Stewardship Council of the Churches of Christ in the United States at their annual meeting held in Philadelphia, Pa., in April 1943. This council represents 24 major religious denominations, having a membership of 24,000,000. This idea is supported by the officers of the Association of American Colleges. It has the individual support of prominent members of the Catholic and Jewish faiths. It meets the wants and needs of many charitable and humanitarian institutions which may not be connected with a church.

Let us consider the need for this amendment. When the withholding tax becomes a law, the individual will have the deduction of the withholding tax and the Victory tax from his pay check. This will be 20 percent for the lowest brackets. Perhaps the cost of living has gone up 20 percent and he is urged to buy bonds in the amount of another 10 percent. He will have but a small amount of money left. It is true that from this money remaining, he can make a contribution to his church or to a college or to the Red Cross or to some other institution and receive a proper credit for this contribution when he files his final report. However, facing these drastic deductions for taxes, the increased living cost, and his bond program, in all probability he will have no money left, or very little money left, for the contribution that he would like to make, that he ought to make, and he would make if he had the funds. The amendment that I propose merely says in substance that he may declare the amount of contributions made or the amount of the contributions he expects to make and take credit for them currently, thereby lessening the amount of his withholding tax.

Under existing law, a taxpayer may deduct from his net income contributions up to 15 percent of his net income. For instance, an individual with a net income of \$200 per month might choose to contribute to churches, colleges, hospitals, and the Red Cross the sum of \$20 per month, or one-tenth of his income. My amendment would mean that he could at the beginning of his taxable year certify his intention so to contribute and the withholding tax would be based on \$180 each month instead of the full \$200.

It is very evident that my amendment, or a similar one, would mean a great deal to the fine, essential institutions which depend upon the contributions of the American people. If the law provides, as cited in the illustration I just used, that a man drawing wages of \$200 a month can have his withholding tax base reduced to \$180 per month by contributing \$20 to charity, many, many more people will make such contributions. It will help the Red Cross. It will help every church in America, whether it be Catholic, Protestant, Jewish, or of some other faith. It will help every non-tax-supported institution of learning in the land. It will be of a great benefit to every humanitarian enterprise, the contributions of which come within the purview

of the present provisions of the Internal Revenue Code.

Is it necessary for me to state that these institutions need contributions? A look at the facts invites alarm. Taking 1928 as a basis, generally speaking our national income dropped until it reached an all-time low in 1932. Then the national income started to rise and in 1940 it reached the 1928 level. At the end of 1942, our national income was 49 percent above the 1928 level. How does this compare with our church contributions in the United States? From 1923, church contributions declined and reached an all-time low, not in 1932, but in 1934. Have church contributions followed on the upward trend with the national income since 1934? The answer is they have not. Church contributions have remained a very little above the low level of 1934. Today, church contributions are 31 percent below what they were in 1928, although the national income is 49 percent higher.

In 1928 the national per capita income was \$633. For that same year the church per capita gifts amounted to \$23.30. In 1932, the national per capita income was only \$374 and in that year the church per capita gifts were \$19.02. The church per capita gifts reached an all-time low in 1936 in the amount of \$11.75. In 1942, the national per capita income was \$841, much above the 1928 income, while the church per capita gifts for 1942 were \$15.20, much below the 1928 figure. Far be it from me to suggest that the Government of the United States should in any way enter the field of church support. My amendment does not do that at all. It merely makes it optional for the individual taxpayer to take credit for his contributions currently, so he may support his church and the charities and colleges of his choice on a pay-as-you-go basis.

The trend of religious contributions during this present era of governmental affairs may reflect the attitude that we Americans have had toward things eternal, and it may in part account for the terrible predicament in which we now find our country. One of America's leading business executives in a radio address on October 4 of last year said:

We have woefully failed in love of God and love of man. Human greed and selfishness have brought us to our present sorry plight. Industrial and commercial development has been so rapid, all engrossing, that it has outstripped and stultified our moral and spiritual development. To renew, to strengthen, to extend spiritual power in man is the supreme task of this hour.

Surely we are now aware of the fact that the Government of the United States cannot solve every problem that confronts every individual in our country. We must return the first principles. We should refrain from placing everything under Government control and should give God a chance. Dr. Frank W. Gunsaulus once said:

Statesmanship is seeing where Almighty God is going and then getting things out of His way.

That truth is in force today. In the trying days that lie ahead, we need the church, our Christian colleges, and our

Institutions of charity more than ever before. I believe that the principle of the amendment that I expect to offer will materially and greatly aid those institutions and at the same time not in the least disturb the historic and sacred position of separation of church from this great Government of ours. This amendment should be adopted so that these fine institutions can work out their own pay-as-you-go plan for contributions.

A great truth was uttered by William McKinley when he said:

Our faith teaches us that there is no safer reliance than the God of our fathers, who has so singularly favored the American people in every national trial, and who will not forsake us now as long as we obey His commandments and walk humbly in His footsteps.

Today America is engaged in an all-out war, a global war, and a war for our survival. We will win this war, but when we do, what then?

When our war job is over our domestic problems will still be with us and it would be foolhardy on our part if we did not heed the advice of those who say that after the present war emergency is over there will be another and a greater period of depression. It is well that we give some thought now as to how we will approach that problem and what our attitude will be.

It is a matter of history that America has never come out of any depression until a spiritual awakening had taken place. A noted example of this is the revival that followed the panic of 1857. At that time the large financial centers crashed, public confidence was prostrate, industry stood still, ruin confronted the leaders of business, and desperate poverty was the lot of countless wage earners. Amidst such conditions a laymen's revival started in many of our great cities and swept over our country. Newspapers at that time carried accounts of men in all walks of life—porters, hand-cart men, policemen, tradesmen, mechanics, ministers, business and professional men of all ages—gathering at places of worship. Those men cried out to God, "Save my soul and restore my credit," or "Save my soul and get me a job." Their common conscience told them why they had to pray, and their common predicament dictated what to pray for.

America came out of that depression and came out with a stronger citizenry. Commenting on it, the Reverend A. J. Patterson, of Portsmouth, N. H., said:

A religious awakening always follows the track of a business depression; this is convincing evidence of the reality of religion.

We should ever be mindful—

That only men can make

A nation great and strong,

Men who for truth and honor's sake

Stand fast and suffer long.

(Mr. CURTIS asked and was given permission to revise and extend his own remarks.)

Mr. KNUTSON. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan [Mr. HOFFMAN].

(Mr. HOFFMAN asked and was given permission to revise and extend his own remarks.)

Mr. HOFFMAN. Mr. Chairman, when this bill was here before on March 25 there were two arguments made against it which the sponsors of the committee bill now before us have abandoned as unsound. One was that it was wicked to forgive any part of the 1942 tax—you must not do it, that was a sin. I notice the chairman of the committee, Mr. DOUGHTON, nodding his head. The other one was that if we passed a tax bill with the Carlson-Ruml plan in it we would be greatly benefiting a few people although it was admitted we would at the same time be aiding some 44,000,000 other taxpayers. I never could see the reason why just because someone might get a little something by tax abatement we should deprive the rest of our people of an opportunity which was theirs if the forgiveness plan was adopted. I want to read a little from a letter that was put in the RECORD by the chairman of the committee, Mr. DOUGHTON. He read that letter on the 25th day of March and it will be found in the RECORD at page 2534. I wonder if the chairman of the committee will listen to the reading of this letter on which he put so much stress. It reads like this—I do not wonder that he does not want to hear it reread in view of the present bill he submits and for which he asks support, but here it is:

DEAR SIR: Any form of forgiveness of any taxes would destroy American morale and would stab in the back our overseas men.

Skipping down a sentence:

Nothing Hitler or his crafty, deceptive generals could do would so effectively destroy American patriotism and democracy.

Yet the gentleman from North Carolina, the chairman of the Ways and Means Committee, today stood on the floor of this House—after he had on the 25th of March endorsed the foregoing statements—and asked the Members of Congress to support the bill which the majority of his committee reported—a bill which carries something over 44 percent of the forgiveness which the writer of the letter which the gentleman read to the House said would destroy American morale and would stab in the back our overseas men.

Here are two more sentences from that letter which the gentleman endorsed and which he used as an argument against the forgiveness carried in the Carlson-Ruml plan. Those sentences read:

How can anyone worthy of living in America ask that our just taxes be forgiven when our men are dying? Is it possible that our American Congress would sell us out to the war profiteers and tax dodgers?

I cite those statements to show how absurd were the arguments advanced in March by those who opposed the Carlson substitute. The action of the majority of the committee, in sponsoring a bill which carries a percentage of forgiveness of the 1942 tax is proof, if any were needed, that the so-called forgiveness—in reality, the postponement—or, if you prefer, a tax moratorium—proposed in the Carlson plan is in no way reprehensible.

It is proof that the arguments advanced against the Carlson substitute, when it was before us in March, were un-

sound and that the majority of the committee have seen the error of their position.

When the gentleman from North Carolina, the chairman of the Committee [Mr. DOUGHTON] finished reading that letter—and there is more to it than I have quoted—he was asked by the gentleman from Kentucky [Mr. ROSSION] this question:

Does the Chairman of the great Ways and Means Committee endorse what that woman says in that letter?

And the gentleman from North Carolina replied:

I endorse every word of it.

He endorsed the statement that any form of forgiveness of any tax would destroy American morale and would stab in the back our overseas men. Now, what becomes of that argument made when the bill was here on March 25, when you bring in your present bill with the forgiveness feature incorporated in it?

Mr. DOUGHTON. Well—

Mr. HOFFMAN. Well?

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. HOFFMAN. Yes; well—what becomes of it?

Mr. DOUGHTON. This is the situation, the pending bill corrects the things complained of so much better than the proposition the gentleman spoke of.

Mr. HOFFMAN. Yes; but you did not agree with us then.

Mr. DOUGHTON. We did not agree with you then, but we have done the best we could in the interest of the Treasury.

Mr. HOFFMAN. Would the gentleman sacrifice principle for that?

Mr. DOUGHTON. We are sacrificing nothing; the principle is not sacrificed.

Mr. HOFFMAN. The gentleman's argument is that because the House does not agree with him he is going to agree with the House?

Mr. DOUGHTON. When did the gentleman get so conscientious about principle?

Mr. HOFFMAN. What is that?

Mr. DOUGHTON. When was the gentleman reborn on the subject of principle? When did he have a rebirth?

Mr. HOFFMAN. My position has always been the same. You are the one who is now proposing forgiveness of a portion of the 1942 tax which in March you argued was a sin. The gentleman is willing to go 54 percent into sin now, why not relax and enjoy it? It really is no sin, but a relief measure which will aid our people to carry the war burden.

Mr. DOUGHTON. To correct the mistake that was made before does not violate any principle whatever.

Mr. HOFFMAN. No; you just take the half of what you call a sin now; why not go the full length, get all the benefit it offers to 44,000,000 people? If you are talking about principle why not go along with the people in the way they want and give them all they want now, when no principle is violated?

Mr. DOUGHTON. Has the gentleman from Michigan got a monopoly on principle?

Mr. HOFFMAN. Certainly not. I do not believe a principle was involved. If the gentleman did, or if he now does, why offer a bill which abandons to at least 40 percent that principle?

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the remainder of my time to the gentleman from Rhode Island [Mr. FORAND].

The CHAIRMAN. The gentleman from Rhode Island is recognized for 5 minutes.

(Mr. FORAND asked and was given permission to revise and extend his own remarks.)

Mr. FORAND. Mr. Chairman, during the last 2 hours some insidious propaganda has been spread among the Members of the House. I do not know whether my good friend the gentleman from Minnesota [Mr. KNUTSON] had succumbed to it when he made his statement here or not, but the fact is word has been passed around that the Forand-Robertson tax plan would not come to the floor of the House tomorrow and that the show-down would be between the Carlson bill and the committee bill. I want to deny that statement and I want to make the situation as clear as I know how by stating that it is the intention of the gentleman from Virginia [Mr. ROBERTSON] and myself to have that proposal again brought forth and this time to have the membership of the House vote on it. So much so that a revised edition of the Forand-Robertson bill was introduced by me this afternoon, H. R. 2577, which will be available to the membership tomorrow.

Mr. KNUTSON. Will the gentleman yield?

Mr. FORAND. I yield to the gentleman from Minnesota.

Mr. KNUTSON. I am sure the gentleman would not want to give the House an assurance this afternoon that the Members of the House will be given an opportunity to vote on the Robertson-Forand plan tomorrow because neither the gentleman nor any other Member of the House can foresee what the parliamentary situation will be or what parliamentary situation will develop.

Mr. FORAND. I want to assure the gentleman that I cannot make a definite statement that it will come up tomorrow, but if the parliamentary situation is such that it is permissible to introduce the proposal, it will come to the floor.

Mr. KNUTSON. Of course, that would have been the case also on the 30th of March.

Mr. FORAND. Yes; had not the motion been made by the Republicans to send the bill back to the committee.

Mr. KNUTSON. Many Members cannot afford to take a chance, so they tell me.

Mr. FORAND. I think that perhaps was the sentiment a month ago, but thank the Lord the sentiment has changed considerably.

The bill that I introduced today, like the Carlson bill and the committee bill, contains 47 pages that are identical. I refer to the withholding provision, the exemption up to \$3,500 for service men,

and the abatement of taxes for men who die in the service.

Mr. ROBERTSON. Will the gentleman yield?

Mr. FORAND. I yield to the gentleman from Virginia.

Mr. ROBERTSON. But with this exception, your bill strikes out the discount for cash that is in the other two bills?

Mr. FORAND. I was coming to that. That is why I said there were 47 pages that were identical. Fourteen pages are different. They include the elimination of the discount provision completely and, of course, the forgiveness provisions widely known as the Robertson forgiveness plan, which would be the 13-percent first surtax bracket and the 6-percent normal tax.

We believe that this is the best of the three bills. Under the Carlson bill for a man whose income has been the same for 2 or 3 years there will be definitely provided those individuals a nice forgiveness. It will in no way change the tax brackets. So the man in the million-dollar class who for 2, 3, or 4 years has been paying \$864,000 in taxes each year will get the benefit of \$864,000, yet his tax rates will remain in the same brackets as they are today, and when you go to increase taxes you will not be able to reach him. You will have to increase the taxes on the taxpayers in the middle brackets and in the lower brackets to make up for the sum that has been forgiven the man in the higher bracket. I do not think that is fair and that is my main reason for offering a proposition that would forgive 19 units to everybody, top to bottom, so when you go to reimpose the tax you can reimpose it on everybody alike. So far as the discount angle is concerned, we have eliminated that completely out of the new print. The committee bill contains some doubling up, you cannot get away from it, and I am not in favor of doubling up.

Mr. CUNNINGHAM. Will the gentleman yield?

Mr. FORAND. I yield to the gentleman from Iowa.

Mr. CUNNINGHAM. Then, under your bill, anyone who has a taxable income of more than \$2,000, the amount above \$2,000 will not be forgiven?

Mr. FORAND. That is absolutely true, and you will not have to double up and pay that because he will continue to pay in the following year as under the present system all that is above the \$2,000 income.

Mr. CUNNINGHAM. How do you get them fully current, then?

Mr. FORAND. He cannot be current unless he wants to pay up. That is entirely up to himself. However, 38,000,000 of the 44,000,000 taxpayers would be made current under my bill.

Mr. JENKINS. Will the gentleman yield?

Mr. FORAND. I yield to the gentleman from Ohio.

Mr. JENKINS. Is it not true that the Forand-Robertson bill is more nearly like the Carlson bill than it is the committee bill?

Mr. FORAND. I will leave that to the judgment of the House.

Mr. JENKINS. That is, they have more points in common.

Mr. FORAND. Possibly. Now, briefly, here is what H. R. 2577, the bill I introduced today, does and how it will work:

The Forand bill—H. R. 2577—provides:

First. Forgiveness of the first 19 units, the basic liability on all income-tax returns—6 percent normal tax and 13 percent surtax.

Second. Withholding 20 percent at the source on all salaries and wages—3 percent Victory tax and 17 percent income tax.

Third. Increasing exemptions for members of our armed forces to \$3,500—less personal exemptions—on compensation received for military service.

Fourth. Abating all taxes owed by a member of our armed forces who dies while in active service.

HOW THE PLAN WORKS

First. Collect March 15 and June 15, 1943, installments of 1942 tax liabilities, as provided under present law. Treat the part of these payments corresponding to the basic liability—6 percent normal tax plus 13 percent of surtax net income—as advance payments of 1943 basic liabilities. Treat the payments in excess of the basic payment as payments of 1942 taxes.

Second. Require September 15 and December 15 installments on 1942 tax only with respect to liabilities in excess of the basic liability.

Third. Forgive the basic liability on 1942 income by crediting it to 1943 tax.

Fourth. Begin collection at source from wages and salaries, July 1, 1943, at a rate of 20 percent to cover basic liability of 6 percent normal tax and 13 percent surtax, and the Victory tax.

Fifth. For income not subject to collection at source begin current payments of basic liabilities with the third quarter of 1943 on the basis of simple quarterly statements of income, permitting the use of 1942 income as a presumptive basis where desired.

Sixth. Farmers, because it is impossible for them to know what their crops will bring until the crop is harvested, will be allowed until December 15 to file a declaration and pay two-thirds of their basic tax. Payment of the balance due on that basic liability will be made when they file their income-tax return on the following March 15.

Seventh. Collect the balance of liability above the basic liabilities in the year following receipt of income as under existing law.

Mr. DOUGHTON. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. BULWINKLE, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, had come to no resolution thereon.

EXTENSION OF REMARKS

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a letter received today from Randolph Paul, General Counsel of the Treasury Department, in connection with the tax bill considered today.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

There was no objection.

Mr. JENNINGS. Mr. Speaker, I ask unanimous consent to be permitted to revise and extend the remarks I made today.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee [Mr. JENNINGS]?

There was no objection.

Mr. GRANGER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an editorial.

The SPEAKER. Is there objection to the request of the gentleman from Utah [Mr. GRANGER]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. D'ALESSANDRO. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an article appearing in the Baltimore News Post.

The SPEAKER. Is there objection to the request of the gentleman from Maryland [Mr. D'ALESSANDRO]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. MERRITT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a newspaper article.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. KLEIN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial from PM on Mr. John L. Lewis.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

[The matter referred to appears in the Appendix.]

(Mrs. LUCE asked and was given permission to extend her own remarks in the RECORD.)

Mr. HORAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

[The matter referred to appears in the Appendix.]

ACTION ON MARTINIQUE NEEDED IMMEDIATELY

Mr. MORRISON of Louisiana. Mr. Speaker, I ask unanimous consent to address the House for 4 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. MORRISON of Louisiana. Mr. Speaker, I am going to speak today on a matter which is of utmost concern and interest to every man, woman, and child in the United States. Germany has been refueling her submarines on the Island of Martinique.

On March the 1st I took the floor here in the House of Representatives and said that it was high time for the United States to stop any and all appeasement of the Laval-Vichy government in any manner, shape, or form, by direct or indirect aid. I brought forth the fact that a ship by the name of *Guadeloupe* was loaded with food and supplies at New Orleans and headed for Martinique when the crew struck there in New Orleans.

I further revealed that the United States was shipping to Martinique approximately \$1,000,000 worth of food and supplies per month.

Martinique, as we all know, is under control of Admiral Robert, who ever since his domination of the island has been anti-United States and pro-Vichy. He has refused to turn over \$650,000,000 in gold, which is on the island, together with the six oil tankers, an aircraft carrier, several warships, and many merchant ships.

I also stated on March 1 that 2 months prior to Pearl Harbor the Navy decided to take over Martinique and went so far as to place marines on warships, but the State Department turned thumbs down and nothing was done.

Immediately after I spoke of these matters on the floor of the House the State Department announced that the food supply had been cut off and that America was going to discontinue sending any food.

Evidently Admiral Robert figured that the shoe was going to pinch so he sent forth a press statement to the effect that he might change his mind about the United States if certain conditions were fulfilled. Three days ago Secretary of State Cordell Hull announced that the United States had broken off relations with Admiral Robert, who is in control of the Island of Martinique.

I have definite information, which I can now reveal, to the effect that German submarines have been refueled at the Island of Martinique. As a matter of fact, workmen on defense projects in Trinidad could turn on their short-wave receiving sets and hear the commanders of the German submarines talking back and forth about refueling, and the Island of Martinique was mentioned frequently.

This situation is serious and something should be done immediately. I call this matter especially to the attention of the President of the United States, the Honorable Franklin D. Roosevelt. Now is the

time for action. Some may think that it is a question of closing the barn door when the horse is gone. We have not only lost the horse, but if we are not careful we will lose the barn. Let us have action.

(Mr. MORRISON of Louisiana asked and was given permission to revise and extend his remarks in the RECORD.)

PERMISSION TO ADDRESS THE HOUSE

Mr. VOORHIS of California. Mr. Speaker, I ask unanimous consent that on Wednesday next, following the legislative program of the day and any special orders heretofore entered, I may be permitted to address the House for 20 minutes.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

POLISH CONSTITUTION DAY

The SPEAKER. Under a previous order of the House, the gentleman from Michigan [Mr. LESINSKI] is recognized for 2 hours.

Mr. LESINSKI. Mr. Speaker, I yield such time as he may desire to my friend the majority leader, the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the Speaker of the House of Representatives be permitted to extend his own remarks at this point in the RECORD on Polish Constitution Day.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. RAYBURN. Mr. Speaker, on May 3, 1791, one of the most enlightened constitutions in history was voted unanimously and acclaimed by a freedom-loving people. It was the Polish Constitution. Speaking today, on its one hundred and fifty-second anniversary, I render homage to the nation that throughout its history has fought in the cause of freedom and in these dark days remains true to the same glorious tradition.

Poles fought for the freedom of the United States, of Belgium, France, Greece, Hungary, Italy, and Turkey, of Brazil, Chile, Colombia, Mexico, Peru, and Venezuela.

A record second to none! But that is past history. What of today?

Today the Poles are veterans who have fought through 3 years of war that began with an unprovoked aggression against their country, the first and most poignant act of the world drama we are living. Veterans of the war in Poland, of the war in France, of the war in Norway, of the Battle of Britain, of the war in Africa and Syria, of the battle of the Atlantic, of the war in the skies and on the seas. Wherever Poles live, they answered the call of their motherland. From the four corners of the earth they came, because no man hath greater love than this: to give his life for the thing he loves! Their lives and all they have and are, they offered generously for Poland. From South America and from



March 26, 1943. These countries have likewise raised their missions from legations to embassies in this country.

Mr. RANKIN. Mr. Speaker, will the gentleman yield?

Mr. CANNON of Missouri. I yield to the gentleman from Mississippi.

Mr. RANKIN. What does the gentleman understand to be the difference between a minister and an ambassador other than the fact that a minister deals through subordinates of a foreign power, while an ambassador deals directly with the head of the government?

Mr. CANNON of Missouri. There is no other essential difference. The change is necessitated by the increased burden of diplomatic exchanges with our sister nations in Central and South America. It is also indicative of the warm friendship and close cooperation between the nations of the western continent.

Mr. Speaker, Senate amendment No. 8 appropriates \$550,000 additional for Division of Disbursement of the Treasury Department, due to increased volume of checks issued over those estimated and to handling War Savings bond purchases of Government employees through payroll deductions.

Senate amendment No. 9 increases the Secret Service appropriation by \$28,000 in connection with protection of the President, obviously needed in time of war.

The SPEAKER. The question is on the motion offered by the gentleman from Missouri.

The motion was agreed to.

The SPEAKER. The Clerk will report Senate amendment No. 5.

The Clerk read as follows:

On page 3, after line 2, insert the following:

"DEPARTMENT OF COMMERCE

"OFFICE OF ADMINISTRATOR OF CIVIL AERONAUTICS

"War Training Service: Pay at a rate of \$50 per month to persons, not on active service or training and service in the land or naval forces of the United States, who are undergoing flying training under the supervision of the Civil Aeronautics Administration War Training Service, or who have successfully completed any such course of training and are awaiting order or assignment to advance courses under the direction or supervision of the Civil Aeronautics Administration, or to active service or training and service in the land or naval forces of the United States, fiscal year 1943, \$3,500,000."

Mr. CANNON of Missouri. Mr. Speaker, I move that the House concur in Senate amendment No. 5 with an amendment.

The Clerk read as follows:

Mr. CANNON of Missouri moves that the House concur in Senate amendment No. 5 to House Joint Resolution No. 115 with an amendment as follows: In lieu of the matter inserted by such amendment insert the following:

"DEPARTMENT OF COMMERCE

"OFFICE OF ADMINISTRATOR OF CIVIL AERONAUTICS

"War Training Service: For pay at a rate of \$50 per month from and after December 15, 1942, to Army Air Corps enlisted reservists on inactive status, while undergoing training or during one or more periods while awaiting assignment between courses (not exceeding

2 months between any two courses), fiscal year 1943, \$3,500,000."

Mr. CANNON of Missouri. Mr. Speaker, Senate amendment No. 5 provides pay for inactive Army Reservists in training under the Civilian Aeronautics Administration. This amount is retroactive to December 15, 1942.

Approximately 14,000 in the Army Reserve placed in inactive status to take flying training from Civil Aeronautics were urged to take these courses by Army and Civil Aeronautics and expected to be through in 6 to 11 months. However, due to shortage of training planes these courses have been delayed. Naval Reservists, training at the same fields with these men, have been paid \$75 per month during their training by the Navy. This amendment proposes to eliminate this discrimination.

The substitute offered by committee proposes to pay these Army inactive Reservists at \$50 per month from December 15, the same date on which Naval Reservists began training at \$75 per month, until their courses are finished. Pay while waiting between courses is to be limited by the proposed language to not to exceed 2 months. If they wait longer it will be without pay.

The Senate language is faulty in that it takes in certain classes of trainees who are already being paid and should not receive double pay, and is much broader than the language proposed by the House.

Many of these men gave up jobs to take these courses, and have been forced to wait on their training without compensation. They are not suitable for combat pilots, but are eligible to qualify in other flying capacities such as glider pilots, civilian pilots, and so forth, and are entitled to this compensation and recognition.

The SPEAKER. The question is on the motion offered by the gentleman from Missouri.

The motion was agreed to.

A motion to reconsider the votes by which action was taken on the motions was laid on the table.

EXTENSION OF REMARKS

Mr. FULMER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a short editorial.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

Mr. LANE. Mr. Speaker, I ask unanimous consent to extend my remarks and include a very interesting article by Robert Norton that appeared in the Boston Sunday Post of last Sunday.

Mr. SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

Mr. LUDLOW. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include certain letters.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

Mr. LUDLOW. Also, Mr. Speaker, I ask unanimous consent that the Commissioner from Puerto Rico [Mr. PAGÁN] may have permission to extend his remarks and include certain remarks of Raphael Carrion, of Puerto Rico, before the Senate Committee on Territories and Insular Affairs on May 3, 1943.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

Mr. LUTHER A. JOHNSON. Mr. Speaker, I ask unanimous consent to extend my remarks and include an address delivered by the Assistant Secretary of State, Mr. Dean Acheson.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

MR. WILLIAM RANDOLPH HEARST

Mr. WELCH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and revise and extend my remarks, and include therein a tribute paid to Mr. William Randolph Hearst on the anniversary of his eightieth birthday.

The SPEAKER. Is there objection?
There was no objection.

[Mr. WELCH addressed the House. His remarks appear in the Appendix of today's RECORD.]

LEAVE OF ABSENCE

Mr. EATON. Mr. Speaker, I ask unanimous consent that the gentleman from New Jersey [Mr. THOMAS] be granted leave of absence until May 24, on account of official business.

The SPEAKER. Is there objection?
There was no objection.

EXTENSION OF REMARKS

Mr. WIGGLESWORTH. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a recent editorial.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. PLUMLEY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include several clippings.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

Mr. LeCOMPTE. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix of the RECORD and include a set of resolutions of the Lucas County Conservation Club.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

Mr. COMPTON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on Polish Constitution Day.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

Mr. RABAUT. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an editorial from the Detroit News.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

FAMILY WEEK

Mr. RABAUT. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and include in my remarks an editorial from the Tablet, of New York.

The SPEAKER. Is there objection?
There was no objection.

[Mr. RABAUT addressed the House. His remarks appear in the Appendix of today's RECORD.]

Mr. VOORHIS of California. Mr. Speaker, I have an estimate from the Government Printer on the inclusion in the Appendix of an article by John Pearson, which I would like to include. They say it will run 2 $\frac{3}{4}$ pages and will cost \$120. I ask unanimous consent that it be published in the RECORD notwithstanding.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

TRADE TREATY ACT—PERMISSION TO FILE MINORITY VIEWS

Mr. KNUTSON. Mr. Speaker, I ask unanimous consent that the minority members of the Committee on Ways and Means may have permission until tomorrow midnight to file separate views on the joint resolution to extend the authority of the President under the Trade Treaty Act.

The SPEAKER. Is there objection?
There was no objection.

EXTENSION OF REMARKS

Mr. EDWIN ARTHUR HALL. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by the inclusion of an editorial from the Endicott Bulletin.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

THE FOOD CONFERENCE

Mr. EDWIN ARTHUR HALL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?
There was no objection.

Mr. EDWIN ARTHUR HALL. Mr. Speaker, last night I listened to Mr. William L. Shirer, in his regular evening comment, and he had something to say about the food parley which is soon to be held in Hot Springs, Va.

It seems that they are going to allow the newsmen as far as the courtyard of the hotel in which the conference is to be held. The powers that be will allow them to talk to the delegates from the yard, but will not allow them to go inside into the conference room, where the wires will be pulled. Mr. Shirer also said that he has attended some of these conferences and that the only ones from which he had ever known newspapermen to be barred were the two which were presided over by Adolf Hitler—a commentary into which I think the White House should look and take note of before it persists with the present arrangement of doing business behind closed doors.

The SPEAKER. The time of the gentleman from New York has expired.

EXTENSION OF REMARKS

Mr. CANNON of Missouri. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD, by inserting an article on the Reverend Father George Hilner, one of the eminent clergyman and agricultural scientists of America.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. SPRINGER. Mr. Speaker, I ask unanimous consent that on tomorrow, after the disposition of business on the Speaker's desk and any other special orders, I may be permitted to address the House for 5 minutes.

The SPEAKER. Is there objection?
There was no objection.

Mr. JENKINS. Mr. Speaker, I ask unanimous consent that on tomorrow, after any other special orders, I be permitted to address the House for 10 minutes, and that following my remarks, my colleague from Ohio [Mr. LEWIS] be permitted to address the House for 20 minutes.

The SPEAKER. Is there objection?
There was no objection.

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent that on Friday next, upon the conclusion of the legislative business of the day and any other special orders, I may address the House for 15 minutes.

The SPEAKER. Is there objection?
There was no objection.

THE FOOD SITUATION

Mr. AUGUST H. ANDRESEN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?
There was no objection.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, information comes to the members of the Committee on Agriculture that thousands of acres of tomatoes, peas, beans, and other vegetables are going to rot because of inaction on the part of the War Labor Board to permit a slight increase in wages in order to secure labor to harvest and can those crops. Our country is on the verge of a tremendous shortage of food in the large consuming areas of the United States.

It seems to me it is about time for the Members of the House and Senate as representatives of the people to take some action which will force our key agencies to act in order to get food for the people of this country. The situation is critical and action must be taken now if we are going to get canned vegetables for the people of America, our armed forces, and our allies.

Waste of food should not be tolerated. When a governmental agency prevents the employment of workers to harvest and process canned foods, it is criminal waste, and believe me, when the shortages appear next winter and the people are not able to secure food, the responsibility for the shortages will be laid on the doorsteps of the War Labor Board, the Office of Price Administration, and other Federal agencies. If any Member is interested, I would suggest that you call on the War Labor Board to find out why they are not permitting a slight increase in wages so as to permit canners to hire workers to harvest and can the crop.

EXTENSION OF REMARKS

Mr. JENKINS. Mr. Speaker, I ask unanimous consent to add to some remarks that I will make today some charts which I propose to explain.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

LEAVE OF ABSENCE

Mr. CUNNINGHAM. Mr. Speaker, yesterday I filed at the Clerk's desk a request that the gentleman from Iowa [Mr. HOEVEN] be excused. I understand that request was lost in the shuffle somewhere yesterday. I therefore ask unanimous consent that my colleague from Iowa [Mr. HOEVEN] be excused as of yesterday.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

EXTENSION OF REMARKS

Mr. COMPTON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a memorial from the Senate and House of the State of Connecticut.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent to extend my remarks by including a radio speech which I made over the Columbia Broadcasting System on yesterday on Polish Constitution Day.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

CURRENT TAX PAYMENT BILL OF 1943

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 2570) to

provide for the current payment of the individual income tax, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 2570, with Mr. BULWINKLE in the chair.

The Clerk read the title of the bill.

Mr. DOUGHTON. Mr. Chairman, I yield 7 minutes to the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Chairman, first, the Ruml tax plan means releasing or giving away by the Government of \$10,000,000,000. In a time of great depression or deflation it could possibly be defended, but it cannot under any circumstances be defended at a time when our country is facing ruinous inflation. The releasing of this much money at a time like now, when we have so much excessive purchasing power, would start us on the road toward the German type of inflation.

Second. If the Ruml plan is adopted and \$10,000,000,000 is given to income-tax payers on money that was earned last year and upon which the taxpayers are expecting to pay, it will compel the Government to seek this money through printing-press sources, so the proposal is tantamount to a printing-press money proposition.

Third. At this time we should be interested in mopping up or absorbing all possible purchasing power through sales of bonds and stamps and other methods and should not, under any circumstances, resort to releasing \$10,000,000,000 at a time when it is calculated to cause run-away inflation.

Fourth. The Ruml plan will cost \$20,000,000,000 instead of \$10,000,000,000. If \$10,000,000,000 is given away by the Government, that amount will have to be replaced by borrowing from commercial banks which create the money to furnish to the Government. Interest will have to be paid. By the time long-term bonds are paid, as much is paid in interest as on the principal. Our debt is now so large that possibly \$2 or \$3 interest will be paid on every \$1 principal, so the Ruml plan will cost not only the \$10,000,000,000 but will cost \$20,000,000,000 or more by the time the debt is paid to pay the cost of the Ruml plan.

Fifth. The Ruml plan will force a sales tax, which will result in placing our Congress in the idiotic position of giving war millionaires the profits that they made in 1942 and replacing the money with the pennies from the poor through a sales tax. In other words, the Ruml plan means releasing money paid upon ability to pay and requiring the poor to make up for it.

Sixth. A fight for the Ruml plan is a fight for the rich and against the poor.

Seventh. The Ruml plan is nothing more nor less than a \$10,000,000,000 bonus. Much of it will go to war millionaires. I cannot understand why the Republican Party can afford not to support the Democrats' plea that there will be no millionaires made in this war. The Ruml plan will start off with making war millionaires. It represents

a bonus to the rich. It will give one citizen nothing, another \$5 and another \$5,000,000. Some of the highest salaries were made last year, 1942, during the early part of this war before there was sufficient experience for the Government to determine fair profits.

Eighth. The Ruml plan will sabotage the President's efforts to stop inflation. The President has asked for \$16,000,000,000 more in taxes. If we give a \$10,000,000,000 release instead, we are going in the opposite direction of the President, who is trying to prevent war millionaires and stop inflation.

Ninth. Today our country has a huge dam that is protecting the United States from ruinous or run-away inflation. The base of this dam may be considered price control, which has been very effective and without which we would now be suffering from inflation. Above price control another substantial part of the dam is savings—tied-up capital in war bonds or through other methods. The top of the dam that prevents the great excess of purchasing power may be designated taxes which Congress will require the people to pay to hold back ruinous inflation. The top of that dam now is the \$10,000,000,000. If we lower it through the Ruml plan by giving away the \$10,000,000,000, the inflationary excess purchasing power will be released and go over the dam and ruin the value of our money.

Tenth. The Ruml plan is in favor of the rich but it will destroy the poor and the middle class. Our people on fixed salaries and fixed incomes cannot survive \$100 shoes, \$100 hats, and bread that will cost several dollars a loaf.

Eleventh. The so-called soldier's bonus for veterans of World War No. 1 after 1931 amounted to about \$2,000,000,000. Some of the same people who are now clamoring for the Ruml plan, which would give the war profiteers a bonus of \$10,000,000,000, were then saying that \$2,000,000,000 would break the Government and cause ruinous inflation. The unthrottling or releasing of \$10,000,000,000 of purchasing power would put us on the road to ruinous inflation.

Twelfth. Most of the clamor is for a bonus to big taxpayers. That is where most of the noise comes from. Not one of them is willing to say, "Give me \$4,000,000 from the United States Treasury" or "Give me \$5,000 from the United States Treasury," but the enactment of the so-called Ruml plan would mean just that.

Thirteenth. The two most important problems facing the American people today are:

First. Winning the war.

Second. Preventing inflation.

If the Ruml plan is adopted, even when we win the war, our country will be injured to the extent that our loss will be almost as heavy on the domestic front as if we had lost the war. So let us do both—win the war and prevent inflation.

A vote for the Ruml plan is a vote for a sales tax; a vote for runaway inflation; a vote for printing-press money; and a vote to favor the rich at the expense of the poor.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. KNUTSON. Mr. Chairman, I yield myself 1 minute.

It had been my hope that we would be able to conclude this debate by confining remarks to fact and reason, but it appears not. The gentleman who has just taken his seat [Mr. PATMAN] had displayed an amazing lack of information on the subject on which he spoke. I want to say to the gentleman that under the Carlson plan the Government will not lose a single dime in this year or next year or in any subsequent year.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. No. I do not yield to any more demagogues.

Mr. PATMAN. Mr. Chairman, I ask that the words of the gentleman be taken down.

Mr. KNUTSON. I withdraw them.

Mr. PATMAN. I object to that, Mr. Chairman. I ask that the gentleman's words be taken down.

Mr. Chairman, I ask that the gentleman take his seat under the rules.

Mr. KNUTSON. Mr. Chairman, I ask that the gentleman from Texas take his seat.

The CHAIRMAN. The Clerk will report the words objected to.

The Clerk read as follows:

Mr. KNUTSON. No; I do not yield to any more demagogues.

Mr. KNUTSON. Mr. Chairman—

Mr. RANKIN. Mr. Chairman, a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. RANKIN. The gentleman from Minnesota has no right to speak until this matter is disposed of. I demand that the gentleman take his seat until the matter is disposed of.

The CHAIRMAN. The gentleman will please be seated.

The Committee will rise.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. BULWINKLE, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee having had under consideration the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, certain words used in debate were objected to and on request were taken down and read at the Clerk's desk, and that he herewith reported the same to the House.

The SPEAKER. The Clerk will report the words objected to.

The Clerk read as follows:

Mr. KNUTSON. No; I do not yield to any more demagogues.

Mr. LUTHER A. JOHNSON. Mr. Speaker, I think the Clerk failed to record sufficient of the gentleman's remarks to make it intelligible. What preceded should have been reported also; otherwise the Speaker is not advised of what the gentleman was talking about.

Mr. RANKIN. Mr. Speaker, I wish to be heard on the point of order.

The SPEAKER. The Chair will hear the gentleman briefly.

Mr. RANKIN. I wish to supplement what was said by the gentleman from Texas [Mr. LUTHER A. JOHNSON]. The gentleman from Texas [Mr. PATMAN] arose and asked the gentleman from Minnesota [Mr. KNUTSON] if he would yield. Then is when the gentleman from Minnesota said:

"No; I do not yield to any more demagogues," which was in violation of the rules of the House, as it was an offensive expression used toward the gentleman from Texas [Mr. PATMAN].

Mr. HOFFMAN. Mr. Speaker, may I be heard?

The SPEAKER. The Chair will hear the gentleman briefly.

Mr. HOFFMAN. Mr. Speaker, with reference to that point, not so long ago I rose to a question of personal privilege. The charge was made against me that I was a demagog and was demagoging. I recall very distinctly that at that time the Speaker ruled that that was not a violation of the rule and did not raise the question of personal privilege.

Mr. RANKIN. Mr. Speaker, may I be heard?

The SPEAKER. The Chair will hear the gentleman.

Mr. RANKIN. Mr. Speaker, on that point, the difference between the present situation and the case referred to by the gentleman from Michigan [Mr. HOFFMAN] is that in the case of the gentleman from Michigan it was something said about him in the press. This was language used toward a Member on the floor of the House. "Trifles light as air," a Supreme Court judge once said, "taken in the light of surrounding circumstances, may have a violent import." This was an offensive expression directed at the gentleman from Texas by a Member on the floor of the House and therefore violated the rules of the House.

Mr. DITTER. Mr. Speaker, may I be heard?

The SPEAKER. The Chair will hear the gentleman from Pennsylvania.

Mr. DITTER. Mr. Speaker, may I direct the Speaker's attention to the definition of a demagog? It certainly seems to me that if the gentleman from Texas was in any way affronted by the observation of the gentleman from Minnesota that he should refresh his memory with reference to definitions.

Mr. Webster says that a demagog is—and I quote:

A leader or orator and popular with or identified with the people.

The SPEAKER. The Chair would like to interrogate the gentleman from Pennsylvania. Did the gentleman from Pennsylvania read all of the definition?

Mr. DITTER. No, no; but I should like to make the further observation to the Speaker that it neither lies in the Speaker's mind, nor is it possible for the gentleman from Mississippi or the gentleman from Texas to determine which definition the gentleman from Minnesota used. The gentleman from Minnesota might just as well have intended a gracious compliment as an affront of any kind, and I submit that the discretion of the Chair does not permit a latitude by which the Chair can determine which

use the gentleman from Minnesota was making of the word.

The SPEAKER. The Chair is inclined to say, however, that it was quite apparent.

Mr. RANKIN. Mr. Speaker, may I have just a moment to reply to the gentleman from Pennsylvania [Mr. DITTER]? Evidently the gentleman from Minnesota was thinking in the lower brackets; that is, the definitions the gentleman from Pennsylvania did not read. The gentleman from Minnesota refused to yield to the gentleman from Texas to answer him, which shows that the gentleman from Minnesota was using his expression "in the lower brackets" in an offensive manner to the gentleman from Texas.

Mr. DITTER. Mr. Speaker, may I be heard in answer to the gentleman from Mississippi?

Mr. RANKIN. I would like to have the gentleman read the rest of the definition in the lower bracket.

The regular order was demanded.

The SPEAKER. The Chair is going to call for the regular order pretty soon.

Mr. DITTER. Mr. Speaker, I shall not indulge the patience of the Speaker any further as I feel I have convinced him that he will not overstep the bounds of discretion that he always exercises within proper limitations, and that he will not impute to the gentleman from Minnesota anything other than what he intended.

The SPEAKER. That is correct. Of course, this situation can readily be cured without the Chair having to pass upon the matter. The Chair did pass upon an identical thing some time ago and made a ruling which he is not going to change at this time.

Mr. MARTIN of Massachusetts. Mr. Speaker, the gentleman from Minnesota did ask unanimous consent that the words be stricken from the RECORD.

The SPEAKER. Does the gentleman make that request at this time?

Mr. KNUTSON. Only on condition that the Speaker rules in support of the position I have taken.

The SPEAKER. The Chair held that words accusing a Member of demagoguery did not avoid personalities and he must rule the same way today.

Mr. KNUTSON. Mr. Speaker, I ask unanimous consent to withdraw the words.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota [Mr. KNUTSON]?

Mr. PATMAN. Mr. Speaker, reserving the right to object, and I shall not object, with this understanding: I think the House has permitted things to go on here that are really a disgrace. We have been calling one another names we should not call, and I believe it is putting the House in disrepute. The minority committee report of the gentleman used that word twice in it in referring to the majority members of the Ways and Means Committee, his own colleagues on his own committee, and I think it is going too far. With the understanding that the gentleman will refrain from doing so in the future I shall not object.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota that the words be withdrawn?

There was no objection.

The SPEAKER. The Committee will resume its session.

Thereupon the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 2570, with Mr. BULWINKLE in the chair.

Mr. KNUTSON. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan [Mr. HOFFMAN].

(Mr. HOFFMAN asked and was given permission to revise and extend his own remarks in the RECORD.)

Mr. HOFFMAN. Mr. Chairman, this Carlson-Ruml plan seems to have excited more or less feeling. Just why, it is difficult for me to understand. I do not see how it can be charged that a man is a demagog because he supports or opposes one version or the other. When the bill was before the House and the committee report on the 25th of March, and if you will look at the RECORD you will find the words of which I shall speak now, you will see that those who supported the Carlson-Ruml plan were charged by a member of the majority with being either fools or scoundrels. I would like to ask the gentleman from Mississippi [Mr. RANKIN] or the gentleman from Texas [Mr. PATMAN] whether that is parliamentary language? The charge was that those who supported the Carlson-Ruml plan were fools or scoundrels. Let us have a rule that applies to both sides of the Chamber.

Mr. DOUGHTON. Will the gentleman yield?

Mr. HOFFMAN. I yield to the gentleman from Mississippi.

Mr. DOUGHTON. I challenge the gentleman to find those words in the majority report. You are putting words in there that are not in there.

Mr. HOFFMAN. I did not yield to the gentleman from North Carolina. I was not referring to the majority report. I was calling attention to language used on the floor of the House on March 29—you will find the words on page 2664 of the temporary RECORD, end of first paragraph, middle column. I yielded to the gentleman from Mississippi [Mr. RANKIN]. If we are to have rules of the House, let us have them apply to all.

Mr. RANKIN. I may say to the gentleman from Michigan that if any such language was used on the floor of the House it was in violation of the rules of the House and it was the duty of the gentleman to have the words taken down at that time.

Mr. HOFFMAN. I do not set myself up as a critic, and I am not a school-teacher finding fault with everything that is said. Now, I do not yield any further. You will also find in the RECORD of March 25—page 2534—the charge that those on the minority side who supported the Carlson substitute were accused of stabbing the soldiers in the back. Was that parliamentary language or a violation of the rules? Give us a little credit on this side and do not be jumping on us all the time. We

raised no point of order when those charges were made against us. I remember distinctly standing back here on the floor and asking permission to speak on a question of personal privilege because I had been charged with being a demagog and being guilty of demagogery.

The charge was not made against me as an individual, it was made against all of the Members of the House, and, being a Member of the House, it was my contention that it raised a question of personal privilege. The charge was made in an editorial of the Washington Daily News of May 13, 1941, which was entitled "Demagogues at Work." The editorial contained this statement:

Another District day in the House has come and gone. Again efforts of earnest men to solve intricate District problems have been leered at, jeered at, stamped upon, and discarded by demagogues. (Permanent RECORD, p. 4308.)

The Speaker ruled—permanent RECORD, page 4308—that—

There is nothing in this matter that refers to the gentleman from Michigan [Mr. HOFFMAN] either individually or in his official capacity. The Chair would hesitate to hold a question of personal privilege of Members of the House lies in a general criticism of the action of the House.

It was my contention then, it would be my contention now, if the question arose, that charging that all Members of the House were demagogues included the charge that an individual was a demagog and raised the question of personal privilege, even though I was not named.

Two precedents from 3 Hines section 1834, and section 1835, sustained that view. Nevertheless, forced to accept the ruling of the Chair, the contention was then made by me that the editorial raised a question of the privilege of the House, inasmuch as it charged that Members of the House were unprincipled politicians; that they sought to make capital of political discontent in order to gain political influence or office.

A demagog is defined by Webster's Collegiate Dictionary as:

A popular leader or orator; a speaker who seeks to make capital of social discontent and gain political influence.

Webster's unabridged also gives this definition:

One skilled in arousing the prejudices and passions of the populace by rhetorical, sensational charges, specious arguments, catchwords, cajolery, and so forth, especially a political speaker or leader who seeks thus to make capital of social discontent and incite the populace, usually in the name of some popular cause, in order to gain political influence or office.

Funk & Wagnalls' unabridged defines a demagog as:

An orator or leader who seeks to influence the people by pandering to their prejudices and passions.

An unprincipled politician.

The Speaker then said—RECORD, page 4308:

The Chair has Webster's International Dictionary before him, and in that the word "demagog" is defined as follows:

"1. A leader or orator popular with or identified with the people."

It is only fair to say that there is a notation under that that it is obsolete or historical.

"2. One who plays an insincere role in public life for the sake of gain, political influence, or office; a poser in politics; especially one who panders to popular prejudice or seeks to inflame reasonless passions in the advancement of his personal interests."

For the moment at least the Chair would hesitate to hold that the gentleman's resolution is privileged. The Chair assures the gentleman that he would like to look into it further. He would hesitate to hold at this time that the general criticism of Members of the House is a matter so involving the privileges of the House that a resolution of this kind would be in order.

It was then agreed that the matter would be taken up at some subsequent time. Subsequently, if recollection serves correctly—and I am sure it does—the Member from Michigan was advised by the Parliamentarian that inasmuch as there was more than one definition of a demagog, one which held an individual so characterized up to public scorn and the other complimentary, that no one could say that the critical definition was the one intended to be applied. Having been so advised, the Member from the Fourth Michigan District let the matter drop and did not thereafter, as recollection serves, raise that issue. That construction of the term "demagog" would be a correct one if the context surrounding its use or if the circumstances under which it was uttered did not supply the needful interpretation.

It was my contention on that occasion that the unfavorable characterization of a demagog was intended because the editorial itself contained these words:

House Members were willing to punish the District in the hope that it would win votes back home.

That was a direct charge that the Members of the House voted as they did on that occasion in order to win political support. An unworthy motive, an unjustifiable action, but as stated, the Chair did not officially pass upon the question at the time and an official decision was not sought in the House because of the reason heretofore stated.

If it could not be gathered from that editorial, which the Members if interested will find reprinted on page 4308 of volume 87, part 4, of the permanent RECORD of the Seventy-seventh Congress, first session, that the term "demagog" was used by way of criticism, I respectfully submit it will be extremely difficult for the Chair to say that the word "demagog" was today used with the intent that it should carry with it the unfavorable, rather than the favorable, interpretation. Let the rules be the same, whether applied to the membership on the right or the membership on the left of the Chair.

Mr. DOUGHTON. Mr. Chairman, I yield 3 minutes to the gentleman from Mississippi [Mr. RANKIN].

Mr. RANKIN. Mr. Chairman, in reply to the gentleman from Michigan [Mr. HOFFMAN] I desire to say that if he heard words used toward a Member that were

offensive and in violation of the rules of the House it was his duty to have them taken down. But he must discriminate between language used in a newspaper about a man being a demagog and words thrown into a man's face on the floor of the House in an offensive manner.

I know that I get into as many acrimonious debates as almost any other Member of the House, but I do try to respect the feelings of the other Members. But if I should say anything offensive to a Member or in an offensive manner, then it would be his duty to have those words taken down and move that they be stricken from the RECORD. That is the question before the House at this time.

But as for matters stated in a newspaper about a man's being a demagog, that is entirely different from a Member standing on the floor of this House and in an offensive manner refusing to yield to a man and branding him to his face as a demagog, with all its far-reaching implications.

The CHAIRMAN. The Chair wishes to call to the attention of the Committee that under the unanimous-consent agreement debate was to be upon the bill.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Chairman, there is a selection in one of the old readers we used to read when we were children in school, the last sentence of which is this:

Let us now return to the more important concerns of the day.

We have spent the last 10 or 15 minutes straightening out a little incident that I am sorry occurred.

We have before us today a very important decision to make. I doubt that it is within the experience of any Member of this House that he has ever known a legislative problem that has excited more general attention in the Republic than this so-called pay-as-you-go tax plan. Everybody has been talking about it for months. When I say "everybody," I mean all the newspapers, all the magazines, the students everywhere in the colleges and in the schools, and the people on the street. The working people, the rich people, the professional people, and everybody else have been tremendously interested.

We are going to decide this matter this afternoon. I feel sure we are going to decide something. I have been sort of ashamed of myself for a long time, and I think practically every member of the Committee on Ways and Means has had the same feeling, in that we have apparently been so futile in our efforts. For 3 or 4 months now we have been wrestling with this proposition and have arrived at no conclusion. Never before in my experience have I seen the Congress or the committee so willing to reject propositions and so ready to refuse to accept or ratify something. We have turned down many plans under many circumstances, in the committee and on

the floor of this House, but we have never adopted or passed anything. We have never come to the place yet where we could agree on anything. The people are tired of it and we are going to be criticized very severely if we do not finish this thing up today, and I think we will.

Let me give you a reason or two why we have had all this delay. It is not altogether the fault of the Committee on Ways and Means. It is not altogether the fault of this House. It is largely the fault of the Treasury of the United States. I do not want to place any undue burden on the Treasury of the United States, but the Treasury of the United States in connection with this bill has been unusually active. It has changed its colors and changed its position many times.

In peacetimes the Treasury is not such a very important factor in the congressional set-up of the Government, but in wartimes, when we are spending millions and millions of dollars every day more than we take in, the Treasury should have a policy and it should adhere to it as one would adhere to a principle. But what kind of a policy has the Treasury had in the consideration of this bill?

The first thing the Treasury did was to attack this man Ruml. I do not know why they developed such an antipathy to him. He is one of their own New Dealers. I have never heard of him being a Republican. He does not belong on our side. But I have seen it in print many times that they turned it down because he came out with a plan they did not know about.

What did Mr. Ruml do that was at all reprehensible? The first thing he did was to go to the Treasury with his plan. The Treasury gave him no encouragement and then proceeded to bring out a plan of its own. I want to cite to you the different positions the Treasury has taken on this matter to illustrate how vacillating the Treasury has been.

The Treasury came out with a plan of its own, and what was that plan? It got its plan ready and submitted it to different people. Among them was the C. I. O. It got the approval of the C. I. O. What is that plan that the C. I. O. approves today? It is the Forand plan. That is the plan under which the Treasury at that time agreed to forgive \$7,600,000,000. You talk about forgiveness. My good friend from Texas said that would break up the Nation. Oh, what a flood of inflation it would open. But the Treasury prepared that bill, and it was O. K.'d by the C. I. O. At that time the Treasury was willing to forgive \$7,600,000,000 out of \$9,200,000,000.

That bill provides greater forgiveness than any bill except the Carlson bill. Let us not be too ready to put our finger on a lot of hypothetical and theoretical matters such as those presented to us a few minutes ago by the gentleman from Texas [Mr. PATMAN]. Let us confine our discussions to practical matters. What was the next position that the Treasury took? It said, when we had the big fight on the floor of the House a few weeks ago, that they were for the committee bill. That bill was rejected by

the House by a tremendous vote. They said they were not willing to forgive anything. They shift with phenomenal alacrity from a bill carrying billions of forgiveness to a bill that the chairman [Mr. DOUGHTON] supported so vigorously. The chairman of the committee had been consistent all the time until now. He did not want forgiveness. The Treasury said, "No; we must not have forgiveness," but today the Treasury comes on with a forgiveness of \$5,000,000,000, and so does the chairman, who heretofore has been adamant. That is the great Treasury of the United States. Mr. Morgenthau said at one time that he was in favor of one plan, and the next time he said that he was in favor of something else, and what are we going to do about this today?

We have undertaken and have proven that the Treasury is not to be depended upon. We need pay no more attention to the Treasury. We should now attempt to do what the people desire us to do. The people have had plenty of time to study this proposition. There is only one time under a democracy when a legislator might be justified in rejecting the voice of the people, and that is when the people cannot have had a chance to study a proposition, but when the American people have studied a proposition thoroughly and have had a chance to know and digest it, I tell you that it is then dangerous to turn a deaf ear to the voice of the people. The voice of the people is the most potent force in a republic next to the voice of God. The people have decided that they want a pay-as-you go bill. They want to accent both the word "pay" and the word "go." When they pay they want to go some place. In this case when they pay they want to be current. They do not want us to throw their money to the winds. They want to go as well as pay.

What else do they want? They have spoken emphatically that they do not want any doubling up. They have said that emphatically in the newspapers of New York, and the newspapers of Cleveland, and in all the newspapers and magazines of the country, and in other ways. They do not want any doubling up.

Let me discuss for a minute these two plans, the Treasury plan and the Carlson plan. What does the committee bill purport to do? Here is the bill. Let me read the title of the bill. Here it is, "A bill to provide for the current payment of the individual income tax, and for other purposes." In other words, they say that they have dedicated themselves to the preparation and enactment of a bill that will do what? Make provision so that the people can be current with their tax paying. What do I mean by that?

My distinguished friend from Tennessee [Mr. COOPER] yesterday would have you believe, if I understood correctly, and if I did not understand him correctly I want to be corrected, that a currency in taxation means that if a man were to pay up all his tax installments, one at a time, he is current. That is not what it means. What it means is that if a tax has been levied on you to be paid within

a certain time that you will be current only when your taxes are all paid up. That is, if you levy a tax for 1942, you pay it in 1942, and then you are current. Let us see what this bill does. Let us take the new Treasury bill. I do not claim to be an expert, but from a somewhat extensive study of these bills I know that the Carlson bill will give more relief to the average American people than will this makeshift bill which is known as the Doughton committee bill. Why? Because the Carlson bill has elements of currency about it that the other bill does not have. I make that as a positive statement. How can I substantiate that statement?

The Carlson bill, if adopted, in 1943 will make 97 percent of the taxpayers of the country current. There is no question about that. Let me talk about these figures on this blackboard here. I am sorry that I may not be able to make these illustrations very readable for the CONGRESSIONAL RECORD, but I shall do my best. Here we have 1941, 1942, 1943, 1944, 1945, and 1946—these are all in a row. And why do I put them there? Because that long line of dates represents the time it takes one to pay his taxes under the committee bill. What do I mean? Last year, the year 1942, it took almost all year, all up to October to pass the 1942 tax bill. Never before in the history of the country that I remember did Congress take so much time to pass a tax bill as we did to pass the 1942 bill, and that was supposed to be a model bill. Let us see what this committee bill does? With reference to the 1942 tax bill it throws the 1942 bill out of the window and it goes back and takes the 1941 tax bill as the measure by which the 1942 taxes are measured. In other words, it applies the 1941 rates to the 1942 income.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. JENKINS. It substitutes the 1941 bill for the 1942 bill and throws the 1942 bill out of the window, and for what purpose? They want to practice a little forgiving themselves. They know that the 1941 rates are only about one-half as high as the 1942 rates, and they propose to forgive the difference. The 1942 tax bill brought in 7,000,000 new taxpayers. Seven million people went to a notary public and made their returns last October because of the passage of the 1942 tax bill. That was primarily because the 1942 tax bill lowered the exemptions. And now they propose by this committee bill to say to that 7,000,000 people, "We will relieve you from the burden of the 1942 tax bill." Why? Because they cannot legislate. Because the majority cannot stand up and demonstrate leadership as such men as Claude Kitchin would have done. Men of that kind who have operated on this floor for your party like Oscar Underwood. The Democratic majority cannot operate because you have not stood on principle. You cannot do it because you are not right.

You throw out the 1942 tax bill, and go to 1943, and levy a tax bill on 1943. And

let me ask you to follow me further on this board. You, in your bill, started out with 1941, and you threw 1942 out, and you come to 1943, and then you go to 1944, and that is when you make your first payment under 1943, and then you have 2 more years to pay on, and most taxpayers will have to do that, so that you run along from 1941 to 1946. That is not currency. You offer to give them 6 percent if they pay up in 1944. But if they do not pay up at that time, then they can pay it in 1945 and 1946. Can any of you have the temerity to claim that that is currency. If so, I pause to permit you to assert yourselves.

Mr. KNUTSON. That is the 1942 tax they are paying in 1945 and 1946?

Mr. JENKINS. Yes; but as far as this committee bill is concerned, 1942 goes out. It would take the best lawyer in the country to keep anybody straight on that plan. You have agreed with the American people that you want currency, and how will you get it out of that formula? It is preposterous enough to be ludicrous. You cannot do it. That is the reason this House turned down the bill which the committee presented to this House 3 or 4 weeks ago. The House turned it down by about 150 votes because it was patchwork. That is all this is—patchwork. Patchwork legislation just will not do. This House will not accept this committee bill. It is not grounded in principle but is a product of expediency.

Now let me go to the Carlson bill. What will the Carlson bill do? It has been amended so that the limit of \$20,000 contained in the other Carlson bill has been reduced down to \$5,000. In other words, any man whose taxable income is less than \$5,000 in 1943 will pay his tax in full this year 1943. Under the Carlson plan all taxpayers whose net taxable incomes are less than \$5,000 will be current with their taxes by the end of 1943. There will be no going back, no going forward about it. Any plan that will make 97 percent of the taxpayers current by the end of 1943 without any doubling up comes nearly being current. That is exactly what the people want.

The Democratic leadership should bestir themselves and appreciate the situation and act accordingly. You should throw aside some of these political New Deal entanglements that put a rope around your neck and see how it feels to be free from any domination of any kind. You are dealing with 44,000,000 taxpayers today and it behooves you to heed their opinions and respect their wishes. Then we come back to 1942 and we say, "Now, in 1942 you made some money that you made rather easy. You had a windfall there. Let us see how much did you have. You had the difference between 1941 and 1942, or the difference between \$20,000 and \$70,000 which is \$50,000." We say to you, "My dear friend, you made \$50,000 as a windfall there, so under the Carlson plan that \$50,000 is taxed at the regular rate right straight up to the top, just as under the present law, and your tax on that \$50,000 windfall will be \$28,000. So in that case the man who earned \$100,000 in 1943 and earned \$70,000 in 1942, and

earned \$20,000 in 1941 will pay a tax of \$69,000, plus \$28,000, or \$97,000 in all. That is the way we make him current. He pays it. He has got to pay, so you see that under the Carlson plan we get all the taxes that we should get in all good conscience.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. JENKINS. Now, I want to show you in these figures down here at the bottom of this chart some figures that are astonishing. They astonished me when I first saw them. Yesterday Members talked on this floor about a capital levy. Somebody said, "The committee bill will result in a capital levy." What does that mean? That means that when

a taxpayer pays a greater tax than the amount he earns and has to go to his bank and borrow the money or go down to his safety deposit box and get the money to pay his taxes. That is a heck of a situation when a man has to go down into his reserve or into his capital to get the money with which to pay his taxes. That is confiscation pure and simple. You will find no such situation developing under the Carlson plan. Let me show you what these figures show that I have on this blackboard. I am going to insert this table in the Record.

Now, here is the situation: Let us take these figures down here near the bottom and take a man who has an income of \$250,000. Under the committee bill he will pay \$260,000 every year if he takes the 3-year extension. He will pay \$10,000 more every year than he receives.

TABLE 10.—Married person, no dependents—Total current burden

Net income before personal exemption	Current tax, including gross Victory tax ¹	Current tax plus unforgiven 1942 tax		
		If unforgiven 1942 tax is paid in full on or before Mar. 15, 1944	If unpaid balance of unforgiven 1942 tax is paid on or before Mar. 15, 1945 ²	If one-third of unforgiven 1942 tax is paid on each installment date
\$1,200.....	\$35.47	\$35.47	\$35.47	\$35.47
\$1,500.....	100.13	100.13	100.13	100.13
\$1,800.....	172.00	192.30	182.59	179.20
\$2,000.....	219.91	257.51	239.51	233.24
\$2,500.....	339.69	420.53	381.83	368.36
\$3,200.....	507.38	648.76	581.08	557.51
\$3,300.....	534.33	685.76	613.27	588.03
\$5,000.....	992.58	1,328.72	1,167.81	1,111.73
\$10,000.....	2,676.36	3,890.76	3,309.40	3,107.00
\$15,000.....	4,854.13	7,396.42	6,179.37	5,755.65
\$20,000.....	7,531.91	11,838.13	9,776.64	9,058.93
\$25,000.....	10,577.69	16,992.93	13,921.65	12,852.49
\$50,000.....	28,074.58	47,243.81	38,067.05	34,872.18
\$100,000.....	69,584.56	119,124.80	95,408.64	87,151.89
\$250,000.....	207,857.09	356,372.05	285,274.75	260,522.36
\$500,000.....	441,746.58	766,416.94	610,989.64	556,877.91
\$1,000,000.....	900,000.00	1,588,501.55	1,259,108.26	1,144,291.33
\$2,000,000.....	1,800,000.00	3,231,492.16	2,546,203.36	2,307,621.33
\$5,000,000.....	4,500,000.00	8,187,473.36	6,422,193.56	5,807,614.67

¹ Computed on a gross income reduced by 10 percent in arriving at specified net income.

² Assuming equal payments made in 1944 and 1945.

That is not simply for 1 year. That is the situation when the taxpayer has paid his taxes as shown by this table when he takes advantage of every day that he can under the terms of this Doughton bill. The man will have to go to the bank and borrow \$10,000 every year to pay his taxes. That is not right. You cannot vote for that kind of a bill and go back home and justify yourself. You cannot do that.

Mr. REED of New York. Will the gentleman yield?

Mr. JENKINS. I yield to my distinguished friend from New York.

Mr. REED of New York. He also has to pay his other taxes in addition?

Mr. JENKINS. Yes, certainly. He has to pay all other taxes. The levying of taxes is a science and this kind of a procedure is clearly violative of all the true principles of just taxation.

Now, here is a man who has an income of \$500,000. His tax will be \$556,000 per year under this terrible bill. In other words, this man not only gives to the tax man all he earns but he must borrow \$56,000 every year to pay his taxes.

Let us go to the \$1,000,000 man. He has to borrow \$144,000 every year. He turns over to the tax man all he earns

and \$144,000 additional every year. The \$5,000,000 man has to borrow \$800,000 every year to meet his taxes. My dear friends, how can you be so unjust as to defend such a plan?

You talk about soaking the rich. This is more than soaking; this is dishonest. That cannot be fair. You ask me, Where do I get these figures? I get them from the report of the members of the Ways and Means Committee made by the chairman, the gentleman from North Carolina [Mr. DOUGHTON]. I am glad that we the Republican members of the committee do not sponsor such an unfair piece of legislation. These figures came from the Treasury Department. But here is a much more striking joker than the one I have just cited you. Please follow me as I make these observations. Here is a man whose income is \$25,000. Do you know how much he has got to pay? This chart shows he has to pay \$12,850 every year. How much does he then have left? After he pays out over these years the sum of \$12,850 each year he will have left \$12,150 per year.

Let us go down to this man, the \$50,000 man. According to these figures, he will pay \$34,000 per year. He will then have \$15,000 left; but the \$100,000 man, he will

pay \$87,151, and he will only have \$12,849 left. The man who makes \$100,000 only has \$12,849 left. The man who makes \$25,000 has \$12,150 left, and the man who makes \$100,000 only has \$699 more left than the \$25,000 man has. Is not that a funny system? My friends, it is not only funny, it is crazy. It is absolutely crazy. Mr. Chairman, I repeat, this committee bill is wonderfully and fearfully made. It does a grave injustice which the people will not tolerate. I blame this on the Treasury of the United States and I blame it on this hodge-podge system of legislation. This is the most important day, you might say, in the tax life of this Nation. Yet this House, this great legislative body, is asked to pass such an unreasonable bill.

Mr. VOORHIS of California. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. No; I am sorry but I cannot yield. We have to decide this important matter today. Let us lay aside politics and do it right. Let us pass this Carlson bill that makes 97 percent of the people free. It is good to be free. What a profound proof of democracy is freedom. Financial freedom, legislative freedom, the four freedoms, and every other kind of freedom; but to be bound down by worry and by strife and by political inability to agree is a terrible calamity for a legislative body.

Now, gentlemen, let us take these figures, ponder them well, and do our duty. The CHAIRMAN. The gentleman from Ohio yields back 1 minute.

Mr. KNUTSON. Mr. Chairman, I yield 7 minutes to the gentleman from Michigan [Mr. CRAWFORD].

(Mr. CRAWFORD asked and was given permission to revise and extend his own remarks.)

Mr. CRAWFORD. Mr. Chairman, I again find myself in a position which I do not envy in the least, because I am forced to break with my leader, the gentleman from Massachusetts, JOE MARTIN, and with my dear friends and colleagues on the Republican side, and through not supporting the Ruml cancellation bill. Some weeks ago I appeared before the Committee on Ways and Means in opposition to Mr. Ruml's proposal for canceling taxes. At that time I made myself very clear. I think I was the first member of our party who raised a public protest. I stated emphatically that I was opposed to canceling taxation on the more than \$114,000,000,000 national income which our people received in 1943, and I stated why I was opposed to canceling that tax assessment. I also stated that where trouble—economic trouble—arose in the affairs of an individual because of the fact that he did not, while he was receiving income, set aside the proportion which belonged to the Government according to the laws of this country that the Treasury, the Congress, and the Government together should be cooperative enough with that individual to make it possible for him to pay that liability, although he had not previously provided for it according to law.

I find a situation here where the committee bill extends the time of payment and to that extent does the very thing I recommended at the time when I said we

should make it possible for the taxpayer to pay. The committee bill has, in my opinion, done that very thing. I also find where the committee bill does not actually cancel as such but lowers the burden on the taxpayer by making the 1942 rates and the 1942 exemptions applicable as of January 1, 1943, instead of 1942 and by letting 1941 rates and 1941 exemptions apply against the income received by our people in the calendar year 1942. No one under the committee bill thus receives high incomes which are not taxed as provided by the Ruml cancellation bill. Some people may call the committee bill a cancellation proposal; some may call it making the tax act apply in advance instead of making it retroactive. I do not care anything about quibbling over that part of the question. In other words had we made the October 1942 tax rates apply as of January 1, 1943, when we passed that bill instead of applying as of January 1, 1942, as the law now provides, we would have accomplished the very thing in that respect which I understand the committee bill now accomplishes. So to that extent at least the committee bill has come to my views of easing the burden and thus making it possible, by extending the due dates and lowering the amount to be paid, for taxpayers to meet their obligations for taxes; not because I so recommended, but because of this contest that has been going on throughout the country. Yesterday afternoon the gentleman from Kansas [Mr. CARLSON] was exceedingly kind in giving some of the Members additional information with reference to his bill, and after we had left the floor. If I understand him correctly, and if I understand this blackboard presentation correctly, it operates something like this. Here is the \$50,000 to be taxed. Is that right? I ask the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Under the Carlson bill we tax every nickel of it.

Mr. CRAWFORD. This \$50,000 will be taxed?

Mr. JENKINS. Yes.

Mr. CRAWFORD. Is this whole \$20,000 income for 1941, \$70,000 for 1942, and \$100,000 for 1943 taxed?

Mr. JENKINS. The Carlson bill does not tax that \$20,000; that has been taxed in 1941.

Mr. CRAWFORD. Let me ask it this way: Are those three incomes taxed under the Carlson bill?

Mr. JENKINS. They certainly are.

Mr. CRAWFORD. I understood from the gentleman from Kansas [Mr. CARLSON] that they are not. Now, may I ask the gentleman from Kansas [Mr. CARLSON]: Are those three items taxed under his bill?

Mr. CARLSON of Kansas. The \$20,000, of course, was taxed on 1942, not on 1941 income.

Mr. CRAWFORD. I do not make myself clear. I do not want to confuse anyone here at all, and I do not want to be confused myself.

Mr. CARLSON of Kansas. Neither do I.

Mr. CRAWFORD. Does the Carlson bill call for the application of the tax laws in such a manner as to tax all of

the income for the 3 years indicated as having been received by the party?

Mr. JENKINS. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield.

Mr. JENKINS. Certainly the Carlson bill does not go back and tax 1941.

Mr. CRAWFORD. Let us not confuse it. Let me make it clear. The 1941 tax law taxed the 1941 income, and we will assume the fellow paid the 1941 tax in the year 1942.

Mr. JENKINS. That is right.

Mr. CRAWFORD. Now, in 1942 the taxpayer received \$70,000.

Mr. JENKINS. Yes.

Mr. CRAWFORD. Does the Carlson bill tax all of that \$70,000?

Mr. JENKINS. No; it does not tax the \$20,000.

Mr. CARLSON of Kansas. All right; now, do not bring that into the picture; that has been disposed of. Is all that \$70,000 taxed under the Carlson bill?

Mr. DEWEY. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. No; I will yield to the gentleman from Ohio to answer that question.

Mr. JENKINS. That is taxed. That would be 1943 on the 1943 tax.

Mr. CRAWFORD. Then is this other taxed under the Carlson bill?

Mr. JENKINS. That is the 1943 tax to be paid in 1944.

Mr. CRAWFORD. No; the Carlson bill does not call for paying taxes in 1944 on 1943 income, as I understand it. If so, the taxpayer would not be on a current, or pay-as-you-go, basis.

Mr. JENKINS. I thought you meant in due course.

Mr. CRAWFORD. I mean exactly what I am asking.

Mr. DEWEY. Will the gentleman yield?

Mr. CRAWFORD. I would like for the gentleman from Ohio to state whether or not under the Carlson scheme this total of \$200,000 is taxed.

Mr. JENKINS. I told the gentleman this—

Mr. CRAWFORD. I do not care what you told me. Let us start all over again.

Mr. JENKINS. What are you asking me about? I said in the beginning you pay in 1943 on \$100,000 and you go back and you get what would have been a windfall in 1942 and you pay on that. You pay on \$50,000 completely.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. CRAWFORD. Mr. Chairman, let us go back to the Carlson proposition and let me ask the gentleman from Kansas [Mr. CARLSON] this question. If in 1941 I received \$200,000 income, in 1942 I received \$250,000 income, and in 1943 I received \$200,000 income, that is a total of \$650,000 income—under your bill, supposing your bill is converted into law within the next few days, would I pay a tax on the total \$650,000 I received under the tax laws of this land?

Mr. DEWEY. Will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Kansas.

Mr. CARLSON of Kansas. You will pay on the higher of the 2 years. You paid on the 1941 year previously.

Mr. CRAWFORD. Then that leaves a lot of income in there that is not taxed and that is what I am trying to develop here. In that manner the Carlson bill does not lead to the taxing of all of the income received by the taxpayer.

Look at this, for instance. Here we have just completed selling to our people some sixteen or seventeen billion dollars worth of bonds. Mr. Chairman, I do not know of any way on earth to more quickly or more completely destroy the economy of our people than for us to proceed on a program which inflates the currency and inflates the buying power of the dollar—and those bonds are redeemable in dollars—than to proceed on a basis which hands back to those people upon the maturity of those bonds dollars which buy less than those same dollars will buy today.

There is a necessity for paying taxes today to the limit of our ability. I repeat, there is a necessity for us to pay taxes. I have said to my people, and I say so very sincerely here today, that if there is anything I thank God for today it is the privilege of paying taxes to the Federal Treasury because of the fact that my sisters, my brothers, my nephews, my nieces, my aunts, my uncles, and my fellow citizens are making the sacrifices incident to war, on the battlefields and otherwise, for this country. Here I stay back in the good old United States and draw a salary. I am willing to live on anything that keeps body and soul together and to put the balance into the tax box. I ask for no outright cancelation and I shall not advocate and support cancelation in total on the income received by our people in 1942. The committee bill cancels or removes far less than the Ruml bill. Now, let me make that clear. I am construing this committee bill as a revision of the law.

Yes; I weigh my words, I speak my conviction, I fear no man in the position I take and no political party. Some of my friends have called me a political adventurer, but I will take the medicine, I will take the consequences and I will take a position in private life, if necessary. That is FRED CRAWFORD's responsibility. But I will not go back and face my people as one who advocates cancelation. I held several meetings with them last week—I am getting the mail in now. I know what the situation is—I will not go back and face them and tell them I voted to cancel out entirely the tax liability assessed by the laws of this land.

I took the position before the Ways and Means Committee that we should go ahead and liquidate the tax liabilities by paying them. My father was a steward in the Methodist Church for 40 years and he said to me, "Son, be careful when you make your liabilities. After you make them, you pay them if it takes your heart's blood to do so." That is the kind of economic doctrine under which I grew up, that is exactly where I stand today, that is the way I teach my son, and that is the only sound economic philosophy

I know. It is the economic doctrine which made this country a great Nation.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois [Mr. DEWEY].

Mr. DEWEY. Mr. Chairman, I was very much interested in what my distinguished colleague from Michigan had to say about trying to ascertain how much tax was to be paid out of the 1941, 1942, and 1943 incomes. It is perfectly clear there is nothing unknown about this matter. It is known that certain portions of the 1942 tax year are to be abated under the Carlson plan and that the tax clock is to be put ahead to 1943. There is no mystery or nothing new in that at all.

I will now explain some of the details in reference to how the tax is paid. It may come from me with little grace, not being a lawyer, to depreciate the clarity of legal language, but sometimes legal language is complicated. I feel that the language of this tax bill appears to be complicated, and complicates a very simple thing. I shall attempt to show exactly what happens under the Carlson bill.

The Carlson bill recognizes two classes of taxpayers: those people with an income of less than \$5,000 on which is assessed a tax bill of \$1,050 or less, and those with an income of \$5,000 or more. Those of our citizens who have a tax bill of \$1,050 or less have no choice as to when they pay their taxes. They pay them in 1943 out of 1943 income. They pay them as I show on this blackboard. Here is 3-15-43, 6-15-43, and along comes 9-15-43. On this September 15 they make a declaration at that time, having had 9 months' experience with their income, as to whether their estimate made March 15, 1943, was correct or not. On September 15 they make their third payment. Then on December 15 they make their final installment on account of 1943, and they are current in tax payments in 1943. All of those people with a tax of \$1,050 or less. On March 15, 1944, they make their return for 1944, and if there is any slight adjustment in their 1943 tax bill, if they have overpaid or underpaid, it is adjusted at that time. Those are all of our good fellow citizens with an income of \$5,000 or less, on which there is a tax bill of \$1,050 or less. They represent 97 percent of all taxpayers, all of whom will be placed on a current pay-as-you-earn basis.

Now let us go to the next class, Mr. X and Mr. Y. Mr. X has an income higher than \$5,000 in 1942. This line represents the income of Mr. X.

Mr. MAY. How high does it go?

Mr. DEWEY. It will go to any height, from \$5,000 up.

We will say that Mr. X in 1942 had an income of \$125,000. In 1943 Mr. X had an income of \$150,000. This line represents that income.

Under the Carlson bill what happens? The Carlson bill chooses the higher of those two incomes as being Mr. X's tax liability, and he is, therefore, charged his tax for 1943 on \$150,000, that being the higher of the two incomes.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. DEWEY. I yield.

Mr. DOUGHTON. Will not the taxpayer have income for those 2 years?

Mr. DEWEY. Yes. I shall come to that in just a minute.

Mr. DOUGHTON. Will he pay taxes on the income of both years?

Mr. DEWEY. He will pay partially 1 year and fully on the other as I will show.

Mr. DOUGHTON. That is easy to answer. If he has an income for those 2 years he should pay taxes for those 2 years.

Mr. DEWEY. If the gentleman will wait a minute, I shall be glad to answer, but of course, I am always happy to yield to my chairman.

He pays his tax on the higher of the two incomes, which is in 1943. We believe that Mr. X has had a war profit in 1942. We use as the yardstick his income in 1941. We find that Mr. X had an income in 1941 of \$100,000. The bill allows a \$5,000 margin of fluctuation because any income may go up or down that amount with no contact whatsoever with war industry or war profits. So we take that \$5,000 and add it to the income of Mr. X, making \$105,000 that he had in 1941. The difference between \$105,000 and Mr. X's \$125,000 in 1942 we consider a war profit that should be taxed. So, just as my good and distinguished colleague, the gentleman from Ohio [Mr. JENKINS] showed that \$105,000 is subtracted from his 1942 income, leaving \$20,000 of presumable war profits, which are taxed at the 1942 rate and added to the 1943 income tax of Mr. X and paid with it on March 15, 1944.

If the war profits tax creates a hardship to Mr. X by application to the Commissioner of Internal Revenue he will be given 36 months to pay any hardship amount with interest at 4 percent.

Mr. FULMER. Mr. Chairman, will the gentleman yield?

Mr. DEWEY. I yield to the gentleman from South Carolina.

Mr. FULMER. What becomes of the \$105,000?

Mr. DEWEY. There is no mystery about it. The Carlson plan contemplates abating 1 tax year by putting the tax clock ahead. That is what you have all known. We have talked about it for 3 months. There is no new mystery here today. You either like it or you do not like it. It is either wicked or it is not wicked. It is either efficient collection of taxes or it is not. I am not going to be dragged into an argument as to whether or not there is 1 year of forgiveness. Of course there is 1 year partially abated for some. That is what we are all talking about.

Mr. KEAN. Mr. Chairman, will the gentleman yield?

Mr. DEWEY. I yield to the gentleman from New Jersey.

Mr. KEAN. Does that \$20,000 get added on top of the \$150,000 so that it reaches the high bracket, or does it form a new group?

Mr. DEWEY. The tax rates of 1942 are applied to the \$150,000 and the tax rates of 1942 are applied to the \$20,000,

as two separate items, and the two taxes are added together and must be liquidated by March 15, 1944, unless permission is given to extend the time in which payment is to be made.

Mr. KEAN. Then he has the benefit of the exemptions again on the \$20,000?

Mr. DEWEY. No, they have nothing to do with it. There is no exemption about it at all. The rate is the normal tax, 6 percent, then the first bracket, 13 percent, and it goes on up with the usual progress of rates as under the 1942 schedule.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. DEWEY. I yield to the gentleman from Minnesota.

Mr. KNUTSON. The gentleman should state to the House that the party he has in mind paid the tax on his 1941 income in 1942.

Mr. DEWEY. Of course, that taxpayer paid a tax on his 1941 income under the 1941 rates, which were then existing, and that tax was deducted from his 1942 income.

Mr. KNUTSON. That was taken out of his 1942 income.

Mr. DEWEY. That is taken out of the 1942 income already, of course.

Mr. KNUTSON. That ought to be emphasized.

Mr. DEWEY. I do emphasize it, and I thank the gentleman for drawing it to my attention. That \$125,000 has already been reduced by the amount of the tax on 1941 income.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. DEWEY. I yield.

Mr. McCORMACK. The gentleman is talking on net income.

Mr. DEWEY. I am talking about the net taxable income after personal exemption and credit for dependents.

Mr. McCORMACK. I wanted to make that observation, so that the committee would clearly understand that it is net income, after all deductions.

Mr. DEWEY. It is the net taxable income—these amounts that I am speaking of. Now, may I take one more minute. It really makes no change, but let us suppose a Mr. Z had an income in 1942 of \$150,000, and that he suffered a loss in 1943, and that his income in 1943, was but \$125,000. His income will go back to 1941, exactly the same, as Mr. X—\$100,000; but in this case as in the case of Mr. X, under the Carlson plan, the higher of the 2 years is chosen so that the income of 1942 will be used as the tax liability of 1943. So the 1942 rates would be applied to the 1942 tax income, and will be considered as the 1943 tax and liquidate that liability. In 1943 Mr. Z also had \$125,000 income. This compared to that received in 1941, which shows a difference of \$20,000, so that his tax is exactly the same as was Mr. X's.

Mr. VORYS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. DEWEY. Yes.

Mr. VORYS of Ohio. And there is no lower limit to these war profits adjust-

ment? For instance, I have heard of a Government clerk who made, say \$3,500 in 1941, and then jumped into the big money on some war contracts. If he made \$3,500, will you just explain what his tax would be for 1942 and 1943?

Mr. DEWEY. If a clerk made \$3,500 in 1941, and \$50,000 in 1942, and \$50,000 in 1943, you would add this \$5,000 fluctuation to the \$3,500, and that would make \$8,500. Eight thousand five hundred dollars deducted from \$50,000 would leave \$41,500 war profit on which he would pay the 1942 rates, and in 1943 he would pay 1942 rates on \$50,000.

Mr. VORYS of Ohio. So that a war profiteer—

Mr. DEWEY. Gets caught.

Mr. VORYS of Ohio. For all of it.

Mr. DEWEY. For all of it under the 1942 rates.

Mr. MUNDT. Mr. Chairman, will the gentleman yield?

Mr. DEWEY. Yes.

Mr. MUNDT. Back to the example in purple-chalk figures on the board. I am not sure what happens to that \$20,000. Is that taxed as a separate income, or added to the \$150,000?

Mr. DEWEY. No; it is taxed as a separate item, with the 1942 rates on \$20,000.

Mr. MUNDT. Starting at the low brackets?

Mr. DEWEY. Starting at the 6 percent normal and 13 percent surtax.

Mr. KNUTSON. And boiling the whole thing down, there is no abatement on war profits?

Mr. DEWEY. No; there is no abatement on war profits.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. DEWEY. Yes; I yield, although with a certain amount of trepidation, as I respect the ability of the gentleman from Tennessee in all argumentative matters.

Mr. COOPER. Does the distinguished gentleman really want the House to understand that he believes the so-called antiwindfall provision in the Carlson plan takes all these war profits out?

Mr. DEWEY. I think we can only judge by one thing. What are war profits? If you take the 1941 income as a yardstick, any profits that are earned in excess of 1941 income is taxed at the 1942 rate. In my opinion, they are all taxed.

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, first I compliment the distinguished gentleman from Illinois [Mr. DEWEY]. His is the frankest presentation of the Rumml plan that I have heard. The gentleman has taken the well and has frankly presented the case of the Rumml plan. He says you can take it or leave it, whether it is wicked or not as you view it, and all of us, no matter how much we may disagree with the gentleman in his views, must respect him for his candor and his frankness, as I do. However, I disagree

with the gentleman, but in disagreement I cannot refrain from expressing my feelings of pleasure in the very frank presentation that he made to the House.

Is 1941 a normal year? The gentleman from Tennessee [Mr. COOPER] very adequately answered that question yesterday on page 3905 of the RECORD, when he called the attention of the House to 13 men, whose names I shall not repeat, who received in 1941 very large salaries, 11 of them more than in preceding years. In one case one gentleman received 205 percent more salary in 1941 than in 1940. He received a salary of \$121,184 for 1941—205 percent more than he received in 1940—and under the Rumml plan that gentleman will only pay \$4,722 taxes. It is very clear that the gadgets in the Rumml plan do not catch the war profits, because 1941, as we all know, was a year of war activity, of activity in preparing ourselves for defense.

Mr. COOPER. The 13 cases I cited were taken from the CONGRESSIONAL RECORD of March 23, 1943, and were furnished by the Securities and Exchange Commission. Of those 13 cases of large incomes from war activities, all of them but 2 would entirely escape under the so-called antiwindfall provision of the Carlson bill, and the other 2 would only be affected slightly.

Mr. McCORMACK. Let me call another matter to the attention of the House. It is not so many weeks ago when the \$25,000 net-income order of the President was repealed, in the wisdom of Congress. The President, as we know, had reduced salaries to \$67,200, or about that amount, to bring about a net of \$25,000. Congress, in its wisdom, repealed it. Automatically those who were getting \$100,000, \$125,000, \$200,000, and \$250,000 went back to that salary. Along comes the Rumml plan and they want to forgive the tax on those salaries for last year. What an inconsistent position for the Congress to be placed in. One week before the last appearance of the Rumml plan, a bill came up to wipe out the \$25,000 net limitation on the large salaries that certain persons were receiving in 1941 and 1942, representing increases of salary up to \$200,000 and \$250,000; 1 week later the Rumml plan proposed to forgive payment completely of any tax on that salary for 1 year, at a time when men and youths are dying to preserve the liberties of our country.

Mr. COOPER. Will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. COOPER. The gentleman will recall that one of the main arguments used by the advocates of the repeal of the \$25,000 salary limitation was that we were going to get it by taxation. Now a plan is offered to forgive taxes.

Mr. McCORMACK. There is not any question about it.

Mr. JENKINS. Will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. JENKINS. Does the gentleman know that the reason that bill was passed was because of the fact that the President had exceeded his authority and had violated the law?

Mr. McCORMACK. But the fact remains, without regard to why it was passed, that it brought salaries back to the higher ranges, and by the Ruml plan you are forgiving the payment of taxes for 1 year. You cannot get away from that fact.

There is no question but that the Ruml plan is misunderstood by many well-meaning persons, but they will find out sooner or later. The political significance of this vote is not today or this year, but in the primaries and the election of 1944. As the people become acquainted with the Ruml plan, and the extent it goes in its forgiveness, then opinions will completely change.

While I am supporting the committee bill because it is fair and just, speaking from a political angle, anyone who votes for the Ruml plan is thereby creating a living and telling issue against himself in the primary and election of 1944. How can any Member explain the fact that while our men and boys were dying to win victory and save our country, most of them receiving less than \$75 a month, Members voted to forgive or abate taxes completely for one year to persons well able to pay?

It is possible that there are some Members who voted for the Ruml plan the last time because they felt that some forgiveness should be given, particularly among the smaller-income groups, in order to make the collection-at-the-source method successful and not impose additional hardships on such groups. At that time the Ruml plan was the only opportunity they had to express such an opinion through their vote. That condition does not exist today. The committee bill, which is just and equitable, and based upon ability to pay, gives such Members a better opportunity to express their views than the Ruml plan does.

Let us look at the tax paid. Take the 1942 law, for a married person with no dependents, and let us see what will happen under the 1942 law and under the Ruml plan and the committee bill. We must bear in mind the great majority of the people have in mind the original Ruml plan. Under the present law, a man receiving \$1,500, a married person with no dependents, would pay \$48. Under the committee bill, he would pay nothing. A man receiving \$1,800 would pay \$103 under the present law. Under the committee bill he would pay \$21.60. A man earning \$2,000 under the 1942 law would pay \$140. Under the committee bill he would pay \$40. A man receiving \$2,500, under the 1942 law, would have to pay \$232. Under the committee bill, he would pay \$86. A man receiving \$3,200 would pay \$360.60 under the existing law; \$150.40 under the proposed committee bill.

When you reach the \$5,000 mark, under existing law, the man would pay \$746. Under the committee bill he would pay \$357.60. In other words, up to

\$5,000, the forgiveness is from 100 percent down to 52.06 percent.

Now, let us look further. Take the person receiving \$50,000. Under existing law he would pay \$25,000. Under the committee bill he would pay \$20,000 plus. Under the Ruml plan, for 1 year he would pay nothing.

At \$100,000, under existing law, a taxpayer would pay \$64,000. Under the committee bill he would pay \$52,000 plus. Under the Ruml plan, for 1 year he would pay nothing.

A man receiving \$500,000—and there are some who receive that in this country—under existing law he would pay \$414,000. Under the committee bill he would pay \$345,000 plus. Under the Ruml plan, for 1 year, nothing.

Let us go to the \$1,000,000 class, and there are some persons who receive a million-dollar net income. Under the existing law he would pay \$854,000. Under the committee bill he would pay \$732,000. Under the Ruml plan, for 1 year, he would pay nothing.

Let us take the \$2,000,000 income group.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. McCORMACK. Let us look at the \$2,000,000 net income group. Under existing law that person would pay \$1,734,000; under the committee bill he would pay \$1,522,000 plus; under the Ruml plan he would pay nothing.

Take the case of the person receiving \$5,000,000 net income last year: Under the present law he would pay \$4,374,000; under the committee bill he would pay \$3,922,000 plus; under the Ruml plan for 1 year he would pay nothing.

TABLE 1.—Single person, no dependents—Amount and percent of 1942 tax forgiven under H. R. 2570

Net income before personal exemption	1942 tax under existing law	1942 tax under H. R. 2570	Amount of 1942 tax forgiven	Percent of 1942 tax forgiven
\$500				
\$600	\$15.40		\$15.40	100.00
\$750	43.00		43.00	100.00
\$800	52.20		52.20	100.00
\$1,000	89.00	\$14.50	74.50	83.71
\$1,200	125.80	32.90	92.90	73.85
\$1,500	181.00	60.50	120.50	66.57
\$1,800	236.20	88.10	148.10	62.70
\$2,000	273.00	106.50	166.50	60.99
\$2,500	365.00	152.50	212.50	58.22
\$3,000	472.00	206.00	266.00	56.36
\$5,000	920.00	462.00	458.00	49.78
\$10,000	2,390.00	1,460.90	929.10	38.87
\$15,000	4,366.00	2,949.48	1,416.52	32.44
\$20,000	6,816.00	4,868.64	1,947.36	28.57
\$25,000	9,626.00	7,157.32	2,468.68	25.65
\$50,000	25,811.00	20,803.35	5,007.65	19.40
\$100,000	64,641.00	53,173.21	11,467.79	17.74
\$250,000	194,616.00	158,499.12	36,116.88	18.56
\$500,000	414,616.00	345,929.92	68,686.08	16.57
\$1,000,000	854,616.00	733,422.24	121,193.76	14.14
\$2,000,000	1,734,616.00	1,523,418.40	211,197.60	12.18
\$5,000,000	4,374,616.00	3,923,410.72	451,205.28	10.31

Table 2 shows the amount and percent of 1942 tax forgiven in the case of a married person with no dependents.

TABLE 2.—Married person, no dependents—Amount and percent of 1942 tax forgiven under H. R. 2570

Net income before personal exemption	1942 tax under existing law	1942 tax under H. R. 2570	Amount of 1942 tax forgiven	Percent of 1942 tax forgiven
\$1,200				
\$1,500	\$48.00		\$48.00	100.00
\$1,800	103.20		103.20	79.07
\$2,000	140.00	\$21.60	118.40	71.43
\$2,500	232.00	40.00	192.00	62.93
\$3,200	360.80	86.00	274.80	58.31
\$3,300	382.20	150.40	231.80	57.85
\$5,000	746.00	161.10	584.90	52.06
\$10,000	2,152.00	357.60	1,794.40	39.97
\$15,000	4,052.00	1,291.92	2,760.08	33.25
\$20,000	6,452.00	2,704.56	3,747.44	30.25
\$25,000	9,220.00	4,581.08	4,638.92	29.00
\$50,000	25,328.00	6,824.40	18,503.60	25.98
\$100,000	64,060.00	20,392.80	43,667.20	19.49
\$250,000	194,000.00	52,702.60	141,297.40	17.73
\$500,000	414,000.00	157,994.00	256,006.00	18.56
\$1,000,000	854,000.00	345,394.00	508,606.00	16.57
\$2,000,000	1,734,000.00	732,874.00	1,001,126.00	14.18
\$5,000,000	4,374,000.00	1,522,864.00	2,851,136.00	12.18
		3,922,844.00	451,156.00	10.31

The committee bill gives the lower income groups the larger percentage of forgiveness, ranging from 100 percent down to 10.31 in the case of a person receiving \$5,000,000 net income.

It is based upon ability to pay; it is equitable and fair; it meets the problem that confronts us; it protects the Government's interests, but at the same time is fair to the taxpayer. How any man in wartime when we are fighting for our very existence, when men to the number of millions are wearing the uniform ready to give up their lives for our country, if necessary—how under such circumstances any man can vote to forgive large sums of money like that I cannot understand. Such action is indefensible. It is beyond my power of comprehension. It cannot and should not be done in wartime by the Congress of the United States.

Mr. Chairman, I yield back the balance of my time.

Mr. KNUTSON. Mr. Chairman, I yield 17 minutes to the gentleman from New Jersey [Mr. McLEAN].

Mr. McLEAN. Mr. Chairman, I listened with great interest to the dramatic appeal of the majority leader and the premise upon which he based that appeal. His observations convinced me that he had not read what happens under the Carlson bill and the Ruml plan. He cited instances where a taxpayer would pay a certain amount under the present law, a certain amount under the pending bill, and then said that the same taxpayer under the Carlson-Ruml plan would pay nothing at all for 1 year and deprive the Government of needed revenue in wartime. As a matter of fact, under the Carlson program—and this is based on the testimony of Mr. Randolph Paul who is the counsel and tax adviser of the Treasury Department—the flow of revenue to the Treasury from any individual will not be suspended under the program of the Carlson bill. The effect of any abatement does not come until some time in the future when: (1) Either

the Government winds up or (2) when the individual taxpayer loses his ability to pay through business adversity or death. Meanwhile he pays his taxes annually just as he does at the present time. To convey the impression that any individual will have no taxes to pay for 1 year under the dramatic circumstances outlined by the majority leader is committing a fraud upon the American people and misleading them as to the purposes of the legislation now before us.

The income tax is not a tax on income. It is a tax out of income. It is that portion of an individual's income which belongs to the Government and which the taxpayer holds in trust for the Government from the time it is received until it is paid. The effort we are making is to provide a simplified method for getting the Government's share of the taxpayer's income into the Treasury.

We all realize that the best interests of the Government will be served if the law requires that income taxes should be paid when the taxpayer has the ability to pay, that is to say, out of current income. Because of a false start in 1913 when the income tax was first adopted, we find ourselves facing a perplexing problem. Under our present system the portion of the national income which belongs to the Government in a given year is not paid out of current earnings, but is paid out of the income of the subsequent year. We are all agreed that this is wrong, and seek a new method of assessment and collection so that the taxes for the current year shall be paid out of current income.

In every plan that has been offered to accomplish this purpose we are confronted with one major difficulty, namely, that in making the transition 2 years' taxes must be paid in a single year. It is agreed that would be unfair and, in many instances, impossible, because of reasons that have been heretofore discussed.

Many plans for making the transition have been offered. They all recognize the necessity for abating all or a portion of the tax on 1 year's income. On a previous occasion there were many arguments against the abatement of any portion of any year's tax. Those who so argued now favor some abatement. I think I see the reason for their change of mind. It is this: we are dealing with a principle which does not lend itself to compromise, and, until that principle is recognized and has accomplished its purpose, it will continue to give us trouble. That principle is that income taxes must be paid out of current income on a pay-as-you-earn basis.

The gentleman from Tennessee said yesterday—I pause here to pay a compliment to that gentleman. We frequently compliment the chairmen of committees for the excellent work they do but we forget those who give unstintingly of their time, their energy, and their equipment to the work of the committee; they are often lost sight of. There is no member of the Committee on Ways and Means, there is no Member of Congress, more conscientious, more studious, more patriotic, more useful; no

one who is more regular in attendance to his duties on the Committee on Ways and Means than the gentleman from Tennessee [Mr. JERE COOPER]. I reserve the right of course to disagree with him on the matters we are called upon to determine, but I respect his industry and sincerity of purpose.

The gentleman from Tennessee said yesterday that under the committee bill, 30,000,000 of the 44,000,000 taxpayers will become current by the end of 1943. Such a statement is inconsistent with the provisions of the bill extending the time for payment of 1942 taxes. If it is so, then 30,000,000 taxpayers, except those who are paying income taxes for the first time, will have the taxes on their 1942 income entirely abated. To dispose of the unabated portion of the 1942 tax the gentleman from Tennessee said that the portion of the 1942 tax which would be carried to 1944 would not be due until 1944.

The fact remains that such installments require the payment of tax on 1942 income out of the income of subsequent years and is exactly the situation we seek to avoid, and it cannot be said that those having such deferred payments to make are paying their taxes currently.

We are permitting political consideration to draw us away from our objective. We are allowing our imaginations to convince us that if we abate the tax on 1 year's income in order to effect a change so much needed and desired, we will as has been said, be favoring those in the higher income brackets. In other words, we are permitting the economy of the taxpayer to guide us in our deliberations rather than the needs or best interests of the Government. In so doing we put self-interest above patriotic service.

I favor the Carlson bill, because it is the most expeditious, the simplest, the least expensive method of accomplishing the desired result. It is the most businesslike, as I will show by using the committee's proposal as an illustration. The committee bill recognizes the need for some abatement of the 1942 tax.

The first step in such abatement suggested by the committee is to reduce the 1942 tax by the adoption of the 1941 rates and exemptions. It is then proposed to permit the payment of the reduced tax in three annual installments beginning in 1944. A further abatement is provided for to those who are capable of making advance payments and who will be allowed a discount, and further concessions are to be granted to those who will find any of these methods of payment a hardship and whose payments may be further extended. The whole proposal is given a rosy hue in anticipation of the collection of a considerable portion of the 1942 tax. It is even suggested that the amounts to be collected will make it unnecessary to increase the personal income-tax rates in the immediate future.

So, it appears to me that one of two things have prompted the proponents of this measure in its preparation—either, one, it is a treasure hunt to increase the Government income for 1944, 1945, and 1946 without increasing rates; or two,

it is a unique method whereby the 1942 taxes can be gradually abated or washed out.

The proponents of the committee bill apparently have not looked at the other side of the picture. No estimate has been made of the cost of the administration to collect these deferred payments. No estimate has been made of the losses which are bound to occur over a 3-year period—and more so over a period which may be longer in hardship cases. No estimate has been given as to the extent discounts made may reduce the amount realized. No intimation can be had of the attitude of future Congresses and the effect of this thought on those who might otherwise pay in advance were it not for the possibility that at some time in the future the law may be changed to the advantage of those who have not yet paid and to the disadvantage of those who have done so. In other words the cost of collection may exceed the revenue anticipated.

I am reminded of a story that used to go the rounds in the business world about an individual who went into the business of refining oil. He got a lot of his friends to purchase stock in the company and when the plant was built he invited the stockholders to an inspection. A very fine buffet luncheon was served. The stockholders were taken through the plant and shown the beautiful white-tiled floors, the plate-glass partitions, the nickel-plated furnishings, and the machinery all running smoothly and perfectly. One of the stockholders asked the quantity of oil refined, and the number of barrels sold in a given period, whereupon the refiner replied, "We don't sell any oil. It takes all we refine to run the plant."

This is not the first time that a legislative body has faced this problem. Recently the State of Washington resolved it by the adoption of a plan comparable to the so-called Ruml plan, and, likewise, the Legislature of the State of Wisconsin, after struggling with the problem over a period of years in a situation very much the same as we have here, resolved it by the abatement of the tax on 1 year's income. You will find the Wisconsin experience in my extension of remarks at page A1666 of the CONGRESSIONAL RECORD.

Now that the principle has been recognized, let us face the problem fearlessly without regard to the political effect of appealing to class prejudice. The Carlson bill should be adopted. It is fair to the Government. The flow of revenue to the Treasury, the majority leader to the contrary notwithstanding, will not abate. It is agreed by everyone that the change in the method of collection of income taxes will increase the revenue. It will protect the revenue not only now but for all time to come. As against other proposals it provides the most economical system of administration. It recognizes and adopts and puts immediately into effect the principle of collecting income taxes out of current income when the taxpayer has the ability to pay.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Arizona [Mr. MURDOCK].

(Mr. MURDOCK asked and was given permission to revise and extend his own remarks in the RECORD.)

Mr. MURDOCK. Mr. Chairman, it has been admitted on the floor of this Chamber today by some of its proponents that the Ruml plan would forgive or abate completely 1 year's taxes. With our sons in the service, probably at this moment under fire, I cannot bring myself to favor any such plan. I am opposed to it. For every dollar of tax indebtedness forgiven will mean a dollar to be borrowed to carry on this war and to be later paid with accrued interest throughout unnumbered years in the future. Of course, those who are now fighting this war and are fortunate enough to survive it will be called on to pay a part of this, which we who stay at home in safety with fairly pleasant surroundings ought ourselves to pay. When I mention members of our fighting force I do not do so sentimentally, though God knows I have a right to be sentimental in the matter; I mention it as a sober fact that the Ruml-plan bill will ease up the matter on the American taxpayer and shift the burden to someone else, and that someone else includes the members of our armed forces.

If I wanted to deal in sentiment, I could discuss our obligations to our boys over there, but I could also deal sentimentally with the plight of those who are over here, who may or may not be taxpayers, but who would suffer from the inflation which the Ruml plan, if put into effect, would enormously boost. Do not doubt for 1 minute that this Ruml plan would have enormous effect upon inflation. It would have that effect in two respects: Taxpayers owe the Government ten thousand million dollars on their incomes in 1942. If they are released by forgiveness from paying that enormous sum to Uncle Sam, they will have just that much more to spend on consumer goods and thus hike the cost of living accordingly. I think I am right in assuming that some of that ten thousand million dollars would be spent on consumer goods, for I cannot believe that all, or practically all, of it would be invested in United States War bonds. If the ten thousand million dollars of 1942 taxes forgiven should not be invested in War bonds, a part of that sum would have to be borrowed by Uncle Sam from commercial banks and such borrowing is highly inflationary. Such tax forgiveness they propose could hurt even those forgiven.

Even assuming a violent assumption that every individual forgiven his 1942 income tax would invest at least that amount in War bonds, it would still mean that he had lent his money to the Government instead of paying it as taxes as he should have done.

When this matter was before us several weeks ago, I took the stand against any forgiveness of the 1942 tax obligation, except perhaps in the case of members of our armed services. On March 30 I voted against the Ruml plan and when it carried in the committee, but was defeated in the House, I later voted not to recommit the committee bill. I felt that the committee bill at that time—

although not quite what I had hoped for—because it did require a little more doubling up than I thought the taxpayers should be called on to bear—but it was near enough the thing best suited to war conditions that we were apt to approach. The bill was recommitted and now what have we before us today?

I feel that the bill which the committee has brought in now is an answer to the mandates of the House on March 30 last. I believe the minority bill today is so little different from the minority bill at that time that it would require a magnifying glass to see the difference. Today the Rumlites are virtually asking us to accept the very thing which the House rejected on March 30. The committee bill now does call for a certain amount of forgiveness of 1 year's taxes, but according to the explanation given by the chairman and by the gentleman from Tennessee [Mr. COOPER] I feel that the amount of forgiveness contained in the committee bill is justifiable. It is justifiable to my mind, and I am about as staunch an opponent of forgiveness of taxes on war income as can be found in this chamber. I hope to have a chance to vote for the bill which the committee presents today.

I resent having anyone say that I voted against the pay-as-you-go plan. The committee bill which the House re-committed several weeks ago did embody the features of a pay-as-you-go plan. The committee bill today—which we may or may not have a chance to vote on squarely—certainly embodies a pay-as-you-go plan. Both bills made it possible for individual taxpayers to get on a pay-as-you-go basis without paying 2 years' taxes in one. My contention is that the real issue has been beclouded and the Rumlites have tried to make it appear—and through radio and press have made it appear—that their plan involving total forgiveness is the only possible pay-as-you-go plan possible of adoption.

[Mr. MILLS addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. WASIELEWSKI].

Mr. WASIELEWSKI. Mr. Chairman, about 6 or 7 weeks ago when the House debated the various pay-as-you-go tax collection plans, I emphatically opposed the Carlson-Ruml bill and every other measure that carried with it the forgive, excuse, or skip a year feature. I am still of the opinion that a Nation at war needs every dollar, every penny, it can get into its Treasury. If we do not need money to carry on the fight to victory, why then, do we have war bond drives and the constant beseeching of the public for funds?

Within the past couple weeks I visited my district, and I failed to find any clamor for a forgiveness of the 1942 taxes as has been repeatedly portrayed on the floor by the supporters of the Ruml plan. Since the House had acted on the pay-as-you-go tax-collection bills, I have had but 20 or 25 letters on the subject. Of these but 5 or 6 came

from my district. The letters that reached me from my State, three were for the Ruml plan and three against it. Certainly, no one would refer to this as a demonstration or cry for forgiveness, excusing, or skipping of a year's taxes. The people of the Nation are awake to the situation ahead of us. They are ready and willing to do their part. They know that every tax dollar they pay now will mean so many less tax dollars to be paid in the future.

When the tax bill reported by the Ways and Means Committee, now before the House, was originally discussed in the Committee, I opposed it.

This bill possesses more merit than any of the others now before the House. A perfect tax measure was never written. Each bill in this sphere of legislation is the result of a compromise. I am supporting the Doughton bill because it appears imperative that some system of installment collection must be adopted if the Treasury is to collect the money needed to successfully finance our way to victory.

The bill now before us represents a departure from our normal way of collecting taxes. There are certain features about it that I find distasteful. I am not particularly keen about the provision in the bill that provides that the employer is to make tax deductions from the taxpayer's pay envelope. There are two principal objections: First, it may be construed that the Government is taking the position that either the taxpayer cannot be trusted or that he is incompetent to handle his fiscal affairs and, therefore, it is necessary to withdraw the tax payment from his pay check without his even getting the "feel" of the money. At the moment no better practical means of collection has been suggested. I sincerely hope, however, that this objectionable feature in the system of collection can be removed in order to help the taxpayer retain his self-respect.

The second feature of the bill that disturbs me is that it makes the employer a tax collector. This entails considerable expense and liability to the employer. True, the employer has been collecting social-security taxes for some time now, and during the past several months has been collecting the Victory tax, but now he is also to have the income-tax collection thrust upon him. I believe that most employers are most happy to be of service to their Government, but I believe that it is the duty of the Government to avoid unduly imposing upon this volunteer service. To this end I hope that the system of computation and collection may be kept in the simplest form possible so that it may not unduly detract the employer from his gainful pursuit.

The 1942 tax bill is a definite legal obligation. It should stand and be paid. No one supporting its forgiveness has charged that Congress was wrong in enacting it; no one advocating its excuse or abatement has claimed that its rates are excessive and might cause undue hardship. If Congress was wrong in enacting the tax bill or the tax now appears oppressive, then there might be some excuse for changing the rates or

otherwise mitigating its pressure upon the taxpayer. However, under no circumstances would Congress be justified in wholly wiping out this once-created liability of the taxpayer.

The 1942 tax bill was not enacted into law until late in October of 1942. The bill by its terms was retroactive to January 1, 1942. There might be some reasonable questions raised as to whether or not the taxpayer under these circumstances has had a fair opportunity to set aside the funds to meet the tax payment. The 1942 tax act provided not only for an increase in rates but also a reduction of the exemptions. In view of the fact that we are now endeavoring to bring income-tax collection on a pay-as-you-go basis, and in view of the fact that the taxpayer has had no proper notice of the extent of his tax on his 1942 income, it seems only fair and reasonable that the 1942 tax rates should be suspended and the 1941 tax rates and exemptions applied to the 1942 income.

We are faced with the problem of raising 16,000,000,000 additional dollars during the next fiscal year. Certainly forgiving in toto an existing tax obligation is no way to raise it. The more we can pay off the war expenditures through present taxation the less it will cost the taxpayers in the long run. Now, when our national income is greater than ever, when we are concerned with inflation because of the surplus consumer dollars, when our banks are bulging with idle money, now is the time to collect the moneys needed to pave the way to an early and decisive victory.

(Mr. WASIELEWSKI asked and was given permission to revise and extend his own remarks in the RECORD.)

Mr. REED of New York. Mr. Chairman, I yield the remainder of the time on this side to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, we have heard a good deal of idealizing on this bill. Much of this idealizing, or whatever it might be called, sounds to me something like demagogery. That is not an indictment of any particular individual. I hope the words are not offensive. Probably you are sincere in it. But I do not like to see the boys in the Army and Navy made a whipping post for this tax bill. There would be about as many Ruml plan boys there as those representing the opposition. That argument should not appeal in the framing of this tax bill.

Mr. MURDOCK. Will the gentleman yield?

Mr. GIFFORD. No. I paid the gentleman a compliment. He is one of the sincerest men I know.

One point I want to bring out is that "of late progress has to me been simply a swapping of old troubles for new."

I repeat what I have often said before, "I am enthusiastic for the Ruml plan and against the committee plan." I would not care to face my constituents and say, "We have doubled the taxes on you." I should prefer personally that the present method of collection prevail and that I pay when I know what I owe. But I do feel that the people want a pay-as-you-go plan, and I agree with

the gentleman from Ohio [Mr. JENKINS] that they ought to have what they want even though they may regret it later.

I recall saying that "he who keepeth the whole law but faileth in one point is guilty of all." How some of you can now face this House and say you will forgive one-half, after the arguments you made a few short days ago, is beyond my comprehension. Will you now compromise with evil? I am sorry to have to indict my friends after this manner.

I say to my friend, the gentleman from Michigan [Mr. CRAWFORD], with whom I generally am in agreement, that he had a good deal to say about forgiving, and it would seem that he would now vote against the committee plan and state his preference for the old method of collection. Then he would support his original view as to the forgiveness idea he so strongly criticized.

Yesterday I asked a question of the gentleman from Tennessee. He understands this bill; he is a very able man. I asked him on yesterday to tell us about the \$50,000 man. He would not do it, but he afterward placed the information in the RECORD. The \$50,000 man whose actual income after taxes is \$24,000 would have \$25,000 added each year for 3 years, or a little more than 1 year's entire income taken. For 3 long years he has to pay more than he receives. How does he pay his other taxes? How does he meet his living expenses? A little further on he blandly asserts:

It may not be possible to pay more than 1 year's taxes out of 1 year's income, but, with few exceptions, persons in the higher brackets have assets that they can use to pay it.

If that is not a capital levy, then may I be forgiven for lack of reasoning power.

I am somewhat amazed that in 1943 no payment of the 1942 taxes will be required. The gentleman told us a few weeks ago that we had it in our jeans to pay the 1942 taxes in 1943, but now, even though we may have it in our jeans, he is not going to require us to pay in 1943, but we can wait until 1944, 1945, and 1946. That money now in our jeans may have been dissipated by that time.

How far they have come in their attempt to compromise! How can they excuse such backtracking? Only because they know the people want a pay-as-you-go plan and they now do not dare insist upon full payment, but will compromise on a half payment.

If we are responsible to the people, we should know how this House will vote today. If instead we are responsible to the party whip, we also know how this House will vote. The Democrats have the majority. If ever there was a time to try men's souls it is today. It is party loyalty against the people. I think if the Carlson bill fails, another motion to recommit will be joyfully voted.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. GIFFORD. I yield to the gentleman from Michigan.

Mr. HOFFMAN. If the \$50,000 taxpayer to whom the gentleman has referred has not saved and cannot pay, then what happens to him?

Mr. GIFFORD. Why, he goes into bankruptcy. Where does the gentleman suppose he ought to go?

Mr. HOFFMAN. What would the Government get out of that?

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 7 minutes to the gentleman from Georgia [Mr. CAMP].

Mr. CAMP. Mr. Chairman, I was somewhat surprised at the charge of demagogery made by the gentleman who has just preceded me against those of us who speak of the tax burden that will fall upon the returned soldier if the \$10,000,000,000 of 1942 income tax is forgiven. This forgiven or abated tax is an asset of the Government, already levied, and \$6,000,000,000 of it has already been paid. If it is abated, it will mean the projection of that much tax burden into the future for future taxpayers to pay.

Within the past 2 weeks I have received more than a dozen letters from officers and men in the Army commending me upon the stand I have taken against the forgiveness of income taxes for 1942. I tell you that no proponent of forgiveness has ever told you when this 1942 tax will be paid if the Ruml-Carlson bill is passed. The reason they do not tell you is because they know it will never be paid.

There is justification for my stand here this morning in favor of this committee bill, even though it carries what they say is a partial forgiveness. If you will recollect, the 1942 tax bill was not passed until October 23, 1942. It was retroactive in its nature to January 1, 1942. Seven million new taxpayers were thereby told in the late fall, just before the beginning of the new year, that they owed taxes for 1942. This 7,000,000 class had had no notice and no chance to save their money to meet their tax bill. This committee bill by applying the 1941 rate to the 1942 income takes care of that situation.

Another thing, to be perfectly fair with the taxpayer, I feel that the Government should let him know on January 1 of each year what his taxes for that year will be in order that he may plan his economy and be prepared to pay his tax bill when it is due. I think the 1942 tax bill should not have been retroactive to January 1 of that year but should have been effective January 1, 1943, thereby giving everybody ample opportunity to make their financial arrangements.

I am supporting this committee bill not on the ground that it is forgiving a cent, but because I take the stand, and always will, that this country, with \$29,000,000,000 in the savings banks, and with a national income of \$119,000,000,000, should pay its tax for last year and not have that burden read out in the future and extended as it will be if the Ruml-Carlson bill is passed, so that it will have to be paid by whoever pays taxes in the future, and that will have to be the returned soldier. Call this demagogery, call it anything, but I tell you that the boys in our armed forces will have to bear this \$10,000,000,000 tax bur-

den if the 1942 taxes are forgiven, and you know it.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield?

Mr. CAMP. Yes.

Mr. MURDOCK. If ten thousand million dollars are forgiven of the 1942 taxes, as Ruml proposes, will not that forgiveness increase the bonded indebtedness of the Nation needed to carry on this war?

Mr. CAMP. Yes.

Mr. MURDOCK. And will not such a course greatly increase the indebtedness to be paid on the soldier's return, as well as increase the burden of every other citizen?

Mr. CAMP. Certainly. These men who got the money last year will become old and brittle and pass out of the tax picture, and the men to take their places are the young men of this country.

Mr. HARE. Mr. Chairman, will the gentleman yield?

Mr. CAMP. Yes.

Mr. HARE. In view of the fact that he has touched upon this point, I am wondering whether he would grant me enough time to read an extract from a letter from one of my boys?

Mr. CAMP. I would like very much to have the gentleman read it and to hear it.

Mr. HARE. This letter was written on March 26. The letter writer says:

Saw a newspaper yesterday for the first time in several days. I note the attitude of the paper toward the proposed income-tax law. There seems to be quite a drive for the Ruml plan which, as I gather, would forgive or forget the tax for 1942. The paper did not offer any argument against it. What seems to me to be pretty cogent is that if the 1942 taxes are forgiven it will mean that much less money collected at the present time which will mean just that much more national debt to be borne by the servicemen when they get home from the war. It seems to me they expect us to fight and win the war and then pay for it.

Mr. CAMP. Yes; that is what it means. I have something else to say, and then I will close.

The CHAIRMAN. The time of the gentleman from Georgia has expired.

Mr. MORRISON of North Carolina. Mr. Chairman, will the gentleman yield to me for a question?

Mr. CAMP. My time has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 1 minute more.

Mr. MORRISON of North Carolina. Will the gentleman yield for a question?

Mr. CAMP. Yes.

Mr. MORRISON of North Carolina. The whole object of this forgiving seems to be to get on a current-payment plan.

Mr. CAMP. That is right.

Mr. MORRISON of North Carolina. May I ask why the committee did not undertake to put corporations under the current payment plan as well as individuals, and make them make the preliminary report required of individuals and pay their tax quarterly as individuals?

Mr. CAMP. A corporation can do it just as well as an individual, regardless of what Mr. Ruml said of them. It is not in the bill. We have collected \$6,000,000,000 of these taxes and if you for-

give that, it has either got to be returned to the taxpayer, or applied on next year's taxes.

The CHAIRMAN. The time of the gentleman from Georgia has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield the remainder of my time to the gentleman from Oklahoma [Mr. DISNEY].

Mr. DISNEY. Mr. Chairman, I want to make a passing observation on this new political philosophy which has appeared in our midst in recent weeks. I have always understood that it was the province—rather the general rule—that the minority usually was the loyal opposition. This is the first time that I have ever heard of a minority insisting on writing a tax bill. Of course, I realize that our esteemed minority leader, the gentleman from Massachusetts [Mr. MARTIN], is credited with the statement that "no majority of 222 can control a minority of 209." So if you want the responsibility of passing this tax bill, take it. It is yours. You have insisted on having it, and I hope you will enjoy it— from now on.

I joined up with you on the \$25,000 limitation to which the majority floor leader, the gentleman from Massachusetts [Mr. McCORMACK], referred a moment ago, and you and I came to this well and urged the passage of this legislation, and more than once we did declare that the tax statutes that we already have in effect, and the tax bills that we shall pass, would take care of the men with the large salaries, and here you are urging that the taxes be returned to them, be forgiven.

So that there will be no mistake about my position on the matter, I have reduced this part to writing:

The Ways and Means Committee is the agent and servant of the House. It will be remembered, in fact it will not soon be forgotten, that the committee brought into the House a bill for collection of taxes at the source, those taxes collected at the source to be applied on the 1942 tax liability, that the committee bill provided for no forgiveness of taxes, that the Ruml plan was offered as a substitute forgiving the 1942 taxes to the extent of \$10,000,000,000, that the House rejected both the Ruml plan and the committee's bill.

The committee could not be in a position of impeding legislation. By the action of the House the committee was rather compelled to return to the House with a bill embodying a mean between the two extremes or to refuse to bring in legislation of any kind. It chose the former course. It has been said that all legislation is the result of compromise. This bill exemplifies that theorem because it takes a position that is midway between the two extremes.

Many members of the committee are in the position that I am—against any forgiveness of taxes. Personally, I would prefer an amortization of the 1942 taxes over a period of 7 to 10 years, but this did not meet with the approval of the majority of the committee.

Every argument against forgiveness of taxes that can be applied to the Ruml plan applies to the present bill, except

that the present bill is a compromise of the two extremes.

It seemed wise to the committee in view of all circumstances and in view of the fact that the 1942 tax bill was not passed until late in 1942, to revert to the 1941 rates and exemptions of 1942 liability and amortize the remainder over a period of 3 years. In effect the use of the 1941 rates and exemptions for the 1942 liability amounts to the application of the 1942 bill to the 1943 taxes, rather than making the 1942 revenue bill retroactive to January 1, 1942. This appears to be a reasonable solution of the problem.

In fact, this would be a complete solution of the problem if we were not confronted with the most serious problem of inflation that has ever faced the Nation. It is conceded that we have an inflationary gap of at least \$40,000,000,000—that we have at least \$40,000,000,000 in money in the hands of the people—that is much more than the balance of the people's money can buy. In other words, we have at least \$110,000,000,000 in money and not more than \$70,000,000,000 in goods and services. Consequently, inflation prices, unless curbed, will be disastrous to the purchaser of goods, regardless of his income, if inflation pushes up his prices.

One of the strongest curbs to inflation is taxation. So we should be taxing more instead of less. We should be collecting taxes rather than forgiving taxes, if inflation is to be halted. A most serious discussion of this matter entitled "Inflation Clouds," by Peter Edson, appeared in a recent issue of the Washington News. It reads as follows:

INFLATION CLOUDS

(By Peter Edson)

The thunderheads of inflation now forming on the economic horizon get bigger and blacker every hour. Prices are rising, wages are rising, national income is spiraling up in a whirlwind that carries with it increased purchasing power and in whose vortex is a \$40,000,000,000 inflationary gap.

Despite this storm warning, there is every indication that when the House again takes up tax legislation next week, it will put through some form of tax forgiveness. It may not be the pure Ruml plan, which in its original conception called for forgiveness of a whole year's taxes to put tax collection on a current basis. It will probably be a compromise with that idea, tailored to fit the whims of Congress and the popular notion that forgiveness of taxes is nice.

And it would be good news to many taxpayers to learn that half of their tax bill for 1942 would be forgiven, as the new bill reported out by the House Ways and Means Committee proposes. But what has been entirely overlooked is that for every tax dollar whose collection is canceled, the threat of inflation is just that much more real, comes just that much closer.

It is seriously to be questioned if this is any time to think of canceling any taxes. Maybe it's too late to talk of avoiding inflation. Inflation may already be here. But if the menaces of inflation are to be kept under any kind of control at all, now is the time not to talk of forgiving taxes, but, if anything, of increasing them.

That is the highly unpopular doctrine to espouse, and that is why you no longer hear the golden voices rising to Congress or out to decry the idea of tax forgiveness and to plead for higher taxes and still higher taxes to stop inflation.

The administration has fought a losing battle on this policy right from the start. Treasury Secretary Morgenthau has expressed himself as satisfied with the tax bill now before the House. He could do little else. At this late date it is essential that the Treasury know what its tax program is to be for the coming year, and the administration seems to be riding along on the assumption that any kind of a tax bill now is better than no tax bill at all.

Last year it was October before tax legislation was completed. This year to delay passage beyond May 15 would be disastrous. The tax reforms proposed in shifting to a pay-as-you-go tax plan are admittedly important, requiring careful consideration and full deliberation. The war can't be stopped, however, while Congress whittles away in old gaffer fashion. Just over the hill are these storm clouds of inflation.

"The Ruml Plan" is a good trade name that catches the eye and the ear. It is a bottle of medicine that has been smartly merchandised, but oversold as something that would put tax collections on a current basis. That it would do, but the hidden ingredient in the bottle and the potential poison is its power to induce inflation by forgiving taxes.

The Ruml plan in its original form was not pay-as-you-go taxation. Pay-as-you-go taxation means deducting taxes from your pay envelope and other income at the source, before you get your hands on it. The revised House tax bill is on sound ground in advocating these withholding taxes of 20 percent, for they are definitely anti-inflationary. Tax forgiveness in any form isn't.

As contemplated, the forgiveness of taxes, there arises in my mind another serious consideration. Somerset Maugham has made a statement we should ponder today:

If a nation values anything more than freedom, it will lose that freedom: and the irony of it is that if it is comfort or money that it values more, it will lose that too.

If a nation would have freedom it must pay the price of that freedom. In a democracy such as ours that price is paid by the individual citizen, according to his ability. We are approaching the test of whether the citizen of a free nation can lay aside all selfish instincts and pay the price necessary to guarantee that freedom. To pay that price out of his own money; to accept the responsibility that goes with that price. Free men of America are paying that price in life and limb and in sacrifice of income, health, and comfort on every battle front. The free American taxpayer will pay that price at home, unless he be taught to avoid that responsibility—urged by his political leaders to avoid that responsibility. No sacrifice, however great of the citizen taxpayer at home can compare with the privations of the soldier in the field.

Forgiveness of responsibility is the hand-maiden to repudiation. Forgiveness of taxes may well be a forerunner to repudiation of our bonds. If we forgive billions, why add the taxes for more billions? What assurance has the purchaser of Government bonds, if our credit is impaired by the abatement of the very taxes which apply to the interest and principal of these bonds? If the psychology of abating taxes become dominant we may well look with fore-

boding on the days of depression when some demagogic appeal for repudiation may find favor in the minds of the people, led by skillful political maneuvering, devoid of principle.

The psychology of getting something for nothing has always been with us. It is akin to the avoidance of taxes. In instances, States and municipalities under unprincipled guidance have avoided their obligations.

The integrity of our credit is basic and fundamental to the stability of our various systems of government. We dare not impair the integrity of our Government's credit.

And I want to spell out exactly how the Ruml plan would do just the opposite.

Our country is today faced with the direct need for revenue it has ever known. Unless and until we here in Congress legislate additional taxes, the Government will have to go on borrowing over \$70,000,000,000 a year. What that means is clear—we shall have to provide additional tax revenue. No plan for forgiving taxes can ignore this compelling fact, that revenue must be provided to fight this total war. It follows as a matter of logic and simple arithmetic, that if we drop out 1 year's taxes for old taxpayers, there are only two ways to make up the difference. One is to shift the burden for the "lost year" to new taxpayers. But if we adopt the Ruml plan and skip a year, let us not forget that the new taxpayers, who will eventually have to help make up the difference, will in considerable part be the young men and women now serving in the armed forces.

The other way to recoup for the lost year and to get the added revenue we must have is to raise our tax rates, or to impose new taxes. At this point the full implication of the skip-a-year Ruml plan becomes clear. At the top of the income scale, where rates already reach 90 percent, the handout given by the Ruml plan and its variants would be a permanent gift. Even if resort were had to a new tax, like the sales tax, the upper income group would feel little of its weight. I repeat, the Ruml plan would confer an enormous permanent gift on the upper income groups.

Now let us turn to the middle and lower income groups. They are the ones who would bear the brunt of the tax increases which would be imperative to recoup the Ruml-plan forgiveness. They are the ones for whom income-tax rates can be increased. A 90-percent rate at the top is capable of very little increase. A rate of 40, 30, or 20 percent at the bottom is susceptible of very substantial increase. And, at the same time, it is exactly these brackets which would bear the major burden of a sales tax. In other words, the gift bestowed on the lower income groups by the Ruml plan is that undesirable kind of a gift that we have come to call an Indian gift. What the Ruml plan would give, the increased taxes would take away.

Let us look beyond the bottom of the income-tax scale. Here we find a group

who would get no benefit whatsoever from the Ruml plan or its variants. Yet if a sales tax were to follow hard upon the heels of the skip-a-year tax plan, the millions of persons in the lowest brackets would participate in providing the revenue lost by bestowing unwarranted tax benefits on the higher income groups.

Surely it is a perversion of our established principles of democratic taxation to give a huge bonanza to the few at the top, at the expense of the many at the middle and bottom. Yet this is precisely what the Ruml-Carlson bill would do. Inherent in that plan, even with its so-called antiwindfall provisions, is a redistribution of the tax burden from the few to the many, in direct violation of the just and fundamental principle of ability to pay.

I do not for a moment contend that it would be reasonable to demand 2 full years' taxes in 1 from the American taxpayer, but I have said and I will say again that in an hour of dire revenue need, it is a counsel of folly and inequity to cancel taxes and then recoup the loss in a way that completely upsets our tax system, in a way that gives to him who hath and takes from him who hath not. Whatever plan this Congress adopts to put the income tax on a pay-as-you-go basis must permit us to raise the revenue we need for the weapons of war and the good works of peace, in full accord with the established principle of ability to pay. In war, even more than in peace, we should be guided by that principle.

Mr. Chairman, the Carlson bill is faulty. Mr. CARLSON himself, in conversation we had, has already admitted that the self-employed have a distinct advantage over those on wages and salaries, and there is no other way to handle the matter except under his bill, and that they have the advantage of not paying any taxes until along toward the end of the year. It is, in my judgment, full of mistakes of that kind, but fundamentally I believe it is unfair to come to the House and make the claim that these windfall provisions that you are so hazy about cure those defects. The gentleman from New Jersey [Mr. McLEAN] vouched for Mr. Cooper, and accepted him and paid him high compliment. These figures I am about to read, referred to by the majority leader, are in the RECORD, and if there is any mistake in these figures, surely some of the minority would have called attention to them and would have corrected them.

In the case of Charles Marcus, of the same Bendix Co., only \$177 in taxes would be payable on the 1942 income of \$77,000. These figures are in the RECORD and are undisputed.

J. D. A. Morrow, of the Joy Manufacturing Co., would, under the antiwindfall provisions, pay only \$282 on an income of \$55,000. J. W. Frazer, of the Willys-Overland, would pay \$447.22 on a \$123,000 income. His income was 205 percent over the 1941 income.

Now, if that feature of the antiwindfall section of the Carlson bill cures those

defects, I hope it satisfies you gentlemen who are going to vote for this substitute.

Now, it is said to be demagoguery to refer to the soldiers. I would like to read to you a few lines from Ernie Pyle's article appearing in yesterday's Daily News about the battle in Tunisia. I do this particularly to remind you that the people in America are here in comfort and in good health, with plenty of money to pay taxes and plenty of food to eat. He says:

A narrow path comes like a ribbon over a hill miles away, down a long slope, across a creek, up a slope and over another hill.

All along the length of this ribbon there is now a thin line of men. For 4 days and nights they have fought hard, eaten little, washed none, and slept hardly at all. Their nights have been violent with attack, fright, butchery, and their days sleepless and miserable with the crash of artillery.

The men are walking. They are 50 feet apart, for dispersal. Their walk is slow, for they are dead weary, as you can tell even when looking at them from behind. Every line and sag of their bodies speaks their inhuman exhaustion.

On their shoulders and backs they carry heavy steel tripods, machine-gun barrels, leaden boxes of ammunition. Their feet seem to sink into the ground from the overload they are bearing.

They don't slouch. It is the terrible deliberation of each step that spells out their appalling tiredness. Their faces are black and unshaven. They are young men, but the grime and whiskers and exhaustion make them look middle-aged.

In their eyes as they pass is not hatred, not excitement, not despair, not the tonic of their victory—there is just the simple expression of being here as though they had been here doing this forever, and nothing else.

The line moves on, but it never ends. All afternoon men keep coming round the hill and vanishing eventually over the horizon. It is one long, tired line of ant-like men.

There is an agony in your heart and you almost feel ashamed to look at them. They are just guys from Broadway and Main Street, but you wouldn't remember them. They are too far away now. They are too tired. Their world can never be known to you, but if you could see them just once, just for an instant, you would know that no matter how hard people work back home they are not keeping pace with these infantrymen in Tunisia.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired. All time has expired.

The Clerk read as follows:

Be it enacted, etc., That (a) this act may be cited as the "Current Tax Payment Act of 1943."

(b) Meaning of terms used: Except as otherwise expressly provided, terms used in this act shall have the same meaning as when used in the Internal Revenue Code.

Mr. CARLSON of Kansas. Mr. Chairman, I offer an amendment which I send to the desk.

The Clerk read as follows:

Amendment in the nature of a substitute by Mr. CARLSON of Kansas: Strike out all after the enacting clause and insert the following:

"That (a) this act may be cited as the 'Current Tax Payment Act of 1943.'"

"(b) Meaning of terms used: Except as otherwise expressly provided, terms used in this act shall have the same meaning as when used in the Internal Revenue Code.

"Sec. 2. Relief from double payments in 1943.

"(a) General rule: This subsection shall be applicable with respect to taxable years beginning in 1942 but shall not take effect until September 1, 1943. Except in cases of fraud, the liability of any individual (other than an estate or trust and other than a nonresident alien subject to withholding under section 143 (b) of the Internal Revenue Code) for the tax imposed by such chapter for such taxable year is discharged.

"(b) Special rule where 1942 net income \$5,000 or more: In case the tax of an individual (other than an estate or trust and other than a nonresident alien subject to withholding under section 143 (b) of the Internal Revenue Code) for the taxable year 1942 is \$1,050 or more, subsection (a) shall not apply. In such case if such tax is greater than that for the taxable year 1943, except in cases of fraud, the liability of the individual for the tax imposed by such chapter for the taxable year 1942 is discharged and the tax for the taxable year 1943 is increased by the excess of the tax for the taxable year 1942 over \$1,050 in case the tax for the taxable year 1943 (determined without regard to this section) is less than \$1,050; or over the tax for the taxable year 1943 (determined without regard to this section) in case the tax for the taxable year 1943 (so determined) is \$1,050 or more. If the tax under such chapter for the taxable year 1942 is not greater than that for the taxable year 1943, except in cases of fraud, the liability of the individual for the tax imposed by such chapter for the taxable year 1942 is discharged. This subsection shall be applicable with respect to taxable years beginning after December 31, 1941, and before January 1, 1944, but shall not take effect until the date prescribed for the making of the return for the taxable year beginning in 1943, except that the provisions making subsection (a) inapplicable shall take effect immediately.

"(c) Special rule where both 1942 and 1943 income is substantially greater than 1941 income: In case the surtax net income both for the taxable year 1942 and for the taxable year 1943 exceeds by more than \$5,000 that for the taxable year 1941, then in order to avoid windfalls the tax imposed by chapter 1 of the Internal Revenue Code for the taxable year 1943 (determined without regard to this subsection but with regard to subsection (b)) shall be increased by an amount equal to a tentative tax for such taxable year computed as if the portion of the surtax net income for the taxable year 1942 which (1) exceeds the sum of \$5,000 plus the surtax net income for the taxable year 1941, and (2) does not exceed the surtax net income for the taxable year 1943, constituted both the surtax net income for the taxable year 1943 and the net income for such taxable year after the allowance of all credits against net income, and as if section 450 of such chapter were not applicable.

"(d) Extension of time for payment of increase in 1943 tax under subsection (c): Where it is shown to the satisfaction of the Commissioner that the payment of the tax for the taxable year 1943 as increased under subsection (c) upon the date prescribed for the payment thereof will result in undue hardship to the taxpayer the Commissioner under regulations prescribed by the Commissioner, with the approval of the Secretary, may grant an extension for the payment of such tax, to the extent of the amount of such increase, for a period not in excess of 18 months, and, in exceptional cases, for a further period of not in excess of 18 months. If an extension is granted, the Commissioner may require a taxpayer to furnish a bond in such amount, not exceeding double the amount of the installment, with such sureties as the Commissioner deems necessary, conditioned upon the payment of the install-

ment in accordance with the terms of the extension. If the time for the payment of such tax is extended, there shall be collected, as a part of the tax, interest on the amount with respect to which the extension is granted at the rate of 4 percent per annum for the period of the extension, and no other interest shall be collected on such amount for such period. If the amount the time for the payment of which is so extended is not paid in accordance with the terms of the extension, there shall be collected, as a part of the tax, interest on the unpaid amount at the rate of 6 percent per annum for the period from the time fixed by the terms of the extension for its payment until it is paid, and no other interest shall be collected on such unpaid amount for such period.

"(e) Special rule where taxpayer dies in taxable year 1942: If the individual dies during the taxable year 1942, subsections (a) and (b) shall not apply, and the liability for the tax imposed by chapter 1 of the Internal Revenue Code for such taxable year is discharged to the extent of not more than \$1,050.

"(f) Treatment of payments prior to September 1, 1943, on account of 1942 tax: Any payment (other than interest and additions to the tax) made prior to the effective date of subsection (a) or (b), whichever is applicable (or on or after such date pursuant to any extension of time granted by the Commissioner before such date), on account of the tax imposed by chapter 1 of the Internal Revenue Code upon an individual (other than an estate or trust and other than a nonresident alien subject to withholding under section 143 (b) of such chapter and other than an individual to whom subsection (e) is applicable) for a taxable year beginning in 1942 shall be held and considered as payment on account of the estimated tax for 1943. In the case of any extension of time for the payment of such tax granted by the Commissioner prior to such date, payment of the portion thereof which if such extension had not been granted would have been payable under section 56 (b) prior to such date shall be made notwithstanding subsections (a) and (b).

"(g) Use of term "taxable year": For the purposes of this section the terms "taxable year 1941," "taxable year 1942," and "taxable year 1943" mean, respectively, the taxable year beginning in 1941, 1942, and 1943, respectively; and "taxable year" as applied to the taxable year 1942 shall not include any period of less than 12 months unless occasioned by the death of the taxpayer.

"Sec. 3. Collection of tax at source on wages.

"(a) In general: Part II of subchapter D of chapter 1 of the Internal Revenue Code (relating to collection of tax at source on wages) is amended to read as follows:

"Part II—Collection of tax at source on wages

"Sec. 465. Definitions.

"As used in this part—

"(a) Wages: The term "wages" means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid—

"(1) for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay included in gross income, or

"(2) for agricultural labor (as defined in section 1426 (h)), or

"(3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, or

"(4) for casual labor not in the course of the employer's trade or business, or

"(5) for services by a citizen or resident of the United States for a foreign government or for the Government of the Commonwealth of the Philippines, or

"(6) for services performed by a nonresident alien individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals, or

"(7) for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary, or

"(8) for services for an employer performed by a citizen or resident of the United States while outside the United States (as defined in section 3797 (a) (9)) if the major part of the services for such employer during the calendar year is to be performed outside the United States, or

"(9) for services performed as a minister of the gospel.

"For the purpose of paragraph (8) services performed on or in connection with an American vessel (as defined in section 1426 (g)) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration, shall not constitute services performed outside the United States.

"(b) Pay roll period: he term "pay roll period" means a period for which a payment of wages is ordinarily made to the employee by his employer.

"(c) Employee: The term "employee" includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term "employee" also includes an officer of a corporation.

"(d) Employer: The term "employer" means any person for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the wages paid to an individual are paid by a person other than the person for whom the services are or were performed, the term "employer" (except for the purposes of subsection (a)) means the person paying such wages.

"(e) Single person: The term "single person" means a person with respect to whom a withholding exemption certificate is in effect under section 466 (h) stating that such person is single, or is married and not living with husband or wife, and is not the head of a family.

"(f) Married person: The term "married person" means a person with respect to whom a withholding exemption certificate is in effect under section 466 (h) stating that he is married and living with husband or wife.

"(g) Married person claiming all of personal exemption for withholding: The term "married person claiming all of personal exemption for withholding" means a married person with respect to whom a withholding exemption certificate is in effect under section 466 (h) stating that for the purposes of this part such person claims all of the personal exemption and that for the purposes of this part his spouse is claiming none of the personal exemption.

"(h) Married person claiming half of personal exemption for withholding: The term "married person claiming half of the personal exemption for withholding" means a married

person with respect to whom a withholding exemption certificate is in effect under section 466 (h) stating that for the purposes of this part such person claims half of the personal exemption.

"(i) Married person claiming none of personal exemption for withholding: The term "married person claiming none of the personal exemption for withholding" means a married person with respect to whom a withholding exemption certificate is in effect under section 466 (h) making no claim with respect to the personal exemption for the purposes of this part.

"(j) Head of family: The term "head of a family" means a person with respect to whom a withholding exemption certificate is in effect under section 466 (m) stating that he is the head of a family.

"(k) Dependent: The term "dependent" means a person included in a withholding exemption certificate in effect under section 466 (h) as a person dependent upon and receiving his chief support from the employee and either under 18 years of age or incapable of self-support because mentally or physically defective.

"Sec. 466. Tax collected at source.

"(a) Requirement of withholding: Every employer making payment of wages to any individual shall withhold and collect upon such wages a tax as follows:

"(1) 17 per centum of the excess of each payment of such wages over the withholding exemption allowable under subsection (b) (1) (A), and

"(2) 3 per centum of the excess of each payment of such wages over the withholding exemption allowable under subsection (b) (1) (B).

"(b) Withholding exemption:

"(1) In computing the tax required to be withheld under subsection (a), there shall be allowed as an exemption with respect to the wages paid for each payroll period—

"(A) in computing the portion thereof required to be withheld under subsection (a) (1), an amount determined in accordance with the following schedule:

"Pay-roll period"	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly.....	\$11	\$26	\$13	0	\$8
Biweekly.....	22	52	26	0	16
Semomonthly.....	23	55	27.50	0	17
Monthly.....	46	110	55	0	34
Quarterly.....	138	330	165	0	102
Semiannual.....	276	660	330	0	204
Annual.....	552	1,320	660	0	408
Daily or miscellaneous (per day of such period).....	1.50	3.60	1.80	0	1.10

"(B) in computing the portion thereof required to be withheld under subsection (a) (2), an amount determined in accordance with the following schedule:

"Pay-roll period:	Withholding exemption
Weekly.....	\$12.00
Biweekly.....	24.00
Semimonthly.....	26.00
Monthly.....	52.00
Quarterly.....	156.00
Semiannual.....	312.00
Annual.....	624.00
Daily or miscellaneous (per day of such period).....	1.70

"(2) If wages are paid with respect to a period which is not a pay-roll period, the exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous pay-roll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any pay-roll period or other period, the exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous pay-roll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than 1 week, at the election of the employer the excess of the aggregate of the wages paid to the employee during the calendar week over the exemption allowed by this subsection for a weekly pay-roll period may be used in computing the tax required to be withheld.

"(c) Wage bracket withholding:

"(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be withheld under subsection (a):

"If the pay-roll period with respect to an employee is weekly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
0	\$10						
10	15	\$0.30					
15	20	1.30	\$0.20				
20	25	2.30	.50				
25	30	3.30	1.50				
30	40	4.80	3.40	2.00			
40	50	6.80	5.40	4.00	2.70	1.30	1.00
50	60	8.80	7.40	6.00	4.70	3.30	2.00
60	70	10.80	9.40	8.00	6.70	5.30	4.00
70	80	12.80	11.40	10.00	8.70	7.30	6.00
80	90	14.80	13.40	12.00	10.70	9.30	8.00
90	100	16.80	15.40	14.00	12.70	11.30	10.00
100	110	18.80	17.40	16.00	14.70	13.30	12.00
110	120	20.80	19.40	18.00	16.70	15.30	14.00
120	130	22.80	21.40	20.00	18.70	17.30	16.00
130	140	24.80	23.40	22.00	20.70	19.30	18.00
140	150	26.80	25.40	24.00	22.70	21.30	20.00
150	160	28.80	27.40	26.00	24.70	23.30	22.00
160	170	30.80	29.40	28.00	26.70	25.30	24.00
170	180	32.80	31.40	30.00	28.70	27.30	26.00
180	190	34.80	33.40	32.00	30.70	29.30	28.00
190	200	36.80	35.40	34.00	32.70	31.30	30.00
\$200 or over		20% of the excess over \$200 plus					
		\$37.80	\$36.40	\$35.00	\$33.70	\$32.30	\$31.00

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is weekly"

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15						
15	20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	.30	.30	.30	.30	.30	.30
25	30	.70	.50	.50	.50	.50	.50
30	40	2.20	.90	.70	.70	.70	.70
40	50	4.20	2.90	1.50	1.00	1.00	1.00
50	60	6.20	4.90	3.50	2.10	1.30	1.30
60	70	8.20	6.90	5.50	4.10	2.80	1.60
70	80	10.20	8.90	7.50	6.10	4.80	3.40
80	90	12.20	10.90	9.50	8.10	6.80	5.40
90	100	14.20	12.90	11.50	10.10	8.80	7.40
100	110	16.20	14.90	13.50	12.10	10.80	9.40
110	120	18.20	16.90	15.50	14.10	12.80	11.40
120	130	20.20	18.90	17.50	16.10	14.80	13.40
130	140	22.20	20.90	19.50	18.10	16.80	15.40
140	150	24.20	22.90	21.50	20.10	18.80	17.40
150	160	26.20	24.90	23.50	22.10	20.80	19.40
160	170	28.20	26.90	25.50	24.10	22.80	21.40
170	180	30.20	28.90	27.50	26.10	24.80	23.40
180	190	32.20	30.90	29.50	28.10	26.80	25.40
190	200	34.20	32.90	31.50	30.10	28.80	27.40
\$200 or over		20% of the excess over \$200 plus					
		\$35.20	\$33.90	\$32.50	\$31.10	\$29.80	\$28.40

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is weekly"

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15						
15	20	\$0.90	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	1.90	.60	.30	.30	.30	.30
25	30	2.90	1.60	.50	.50	.50	.50
30	40	4.40	3.10	1.70	.70	.70	.70
40	50	6.40	5.10	3.70	2.30	1.00	1.00
50	60	8.40	7.10	5.70	4.30	3.00	1.60
60	70	10.40	9.10	7.70	6.30	5.00	3.60
70	80	12.40	11.10	9.70	8.30	7.00	5.60
80	90	14.40	13.10	11.70	10.30	9.00	7.60
90	100	16.40	15.10	13.70	12.30	11.00	9.60
100	110	18.40	17.10	15.70	14.30	13.00	11.60
110	120	20.40	19.10	17.70	16.30	15.00	13.60
120	130	22.40	21.10	19.70	18.30	17.00	15.60
130	140	24.40	23.10	21.70	20.30	19.00	17.60
140	150	26.40	25.10	23.70	22.30	21.00	19.60
150	160	28.40	27.10	25.70	24.30	23.00	21.60
160	170	30.40	29.10	27.70	26.30	25.00	23.60
170	180	32.40	31.10	29.70	28.30	27.00	25.60
180	190	34.40	33.10	31.70	30.30	29.00	27.60
190	200	36.40	35.10	33.70	32.30	31.00	29.60
\$200 or over		20% of the excess over \$200 plus					
		\$37.40	\$36.10	\$34.70	\$33.30	\$32.00	\$30.60

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is weekly"

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15						
15	20	\$0.80	\$0.40	\$0.40	\$0.20	\$0.20	\$0.20
20	25	2.10	1.80	1.40	.30	.30	.30
25	30	3.10	2.80	2.40	1.10	.50	.50
30	40	4.10	3.80	3.40	2.60	1.20	.70
40	50	6.10	5.30	4.90	4.60	3.20	1.80
50	60	8.10	7.30	6.90	6.60	5.20	3.80
60	70	10.10	9.30	8.90	8.60	7.20	5.80
70	80	12.10	11.30	10.90	10.60	9.20	7.80
80	90	14.10	13.30	12.90	12.60	11.20	9.80
90	100	16.10	15.30	14.90	14.60	13.20	11.80
100	110	18.10	17.30	16.90	16.60	15.20	13.80
110	120	20.10	19.30	18.90	18.60	17.20	15.80
120	130	22.10	21.30	20.90	20.60	19.20	17.80
130	140	24.10	23.30	22.90	22.60	21.20	19.80
140	150	26.10	25.30	24.90	24.60	23.20	21.80
150	160	28.10	27.30	26.90	26.60	25.20	23.80
160	170	30.10	29.30	28.90	28.60	27.20	25.80
170	180	32.10	31.30	30.90	30.60	29.20	27.80
180	190	34.10	33.30	32.90	32.60	31.20	29.80
190	200	36.10	35.30	34.90	34.60	33.20	31.80
\$200 or over		20% of the excess over \$200 plus					
		\$39.60	\$38.30	\$36.90	\$35.60	\$34.20	\$32.80

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is weekly"

And the wages are		And such person is head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15						
15	20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	.30	.30	.30	.30	.30	.30
25	30	.70	.70	.50	.50	.50	.50
30	40	2.20	2.20	.90	.70	.70	.70
40	50	4.20	4.20	2.90	1.50	1.00	1.00
50	60	6.20	6.20	4.90	3.50	2.10	1.30
60	70	8.20	8.20	6.90	5.50	4.10	2.80
70	80	10.20	10.20	8.90	7.50	6.10	4.80
80	90	12.20	12.20	10.90	9.50	8.10	6.80
90	100	14.20	14.20	12.90	11.50	10.10	8.80
100	110	16.20	16.20	14.90	13.50	12.10	10.80
110	120	18.20	18.20	16.90	15.50	14.10	12.80
120	130	20.20	20.20	18.90	17.50	16.10	14.80
130	140	22.20	22.20	20.90	19.50	18.10	16.80
140	150	24.20	24.20	22.90	21.50	20.10	18.80
150	160	26.20	26.20	24.90	23.50	22.10	20.80
160	170	28.20	28.20	26.90	25.50	24.10	22.80
170	180	30.20	30.20	28.90	27.50	26.10	24.80
180	190	32.20	32.20	30.90	29.50	28.10	26.80
190	200	34.20	34.20	32.90	31.50	30.10	28.80
\$200 or over		20% of the excess over \$200 plus					
		\$35.20	\$35.20	\$33.90	\$32.50	\$31.10	\$29.80

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is biweekly"

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.50	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	2.50	1.80	.60	.60	.60	.60
50	60	4.50	3.80	1.10	.90	.90	.90
60	80	9.50	6.80	4.10	1.40	1.40	1.40
80	100	13.50	10.80	8.10	5.40	2.70	2.60
100	120	17.50	14.80	12.10	9.40	6.70	3.90
120	140	21.50	18.80	16.10	13.40	10.70	7.90
140	160	25.50	22.80	20.10	17.40	14.70	11.90
160	180	29.50	26.80	24.10	21.40	18.70	15.90
180	200	33.50	30.80	28.10	25.40	22.70	19.90
200	220	37.50	34.80	32.10	29.40	26.70	23.90
220	240	41.50	38.80	36.10	33.40	30.70	27.90
240	260	45.50	42.80	40.10	37.40	34.70	31.90
260	280	49.50	46.80	44.10	41.40	38.70	35.90
280	300	53.50	50.80	48.10	45.40	42.70	39.90
300	320	57.50	54.80	52.10	49.40	46.70	43.90
320	340	61.50	58.80	56.10	53.40	50.70	47.90
340	360	65.50	62.80	60.10	57.40	54.70	51.90
360	380	69.50	66.80	64.10	61.40	58.70	55.90
380	400	73.50	70.80	68.10	65.40	62.70	59.90
\$100 or over		20% of the excess over \$400 plus					
		\$75.50	\$72.90	\$70.10	\$67.40	\$64.70	\$61.90

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is weekly"

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	1.40	.90	.90	.90	.90	.

"If the pay-roll period with respect to an employee is biweekly"

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$1.90	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	3.90	1.10	.60	.60	.60	.60
50	60	5.80	3.10	.90	.90	.90	.90
60	80	8.80	6.10	3.40	1.40	1.40	1.40
80	100	12.90	10.10	7.40	4.70	2.00	2.00
100	120	16.90	14.10	11.40	8.70	6.00	3.30
120	140	20.90	18.10	15.40	12.70	10.00	7.30
140	160	24.90	22.10	19.40	16.70	14.00	11.30
160	180	28.90	26.10	23.40	20.70	18.00	15.30
180	200	32.90	30.10	27.40	24.70	22.00	19.30
200	220	36.90	34.10	31.40	28.70	26.00	23.30
220	240	40.90	38.10	35.40	32.70	30.00	27.30
240	260	44.90	42.10	39.40	36.70	34.00	31.30
260	280	48.90	46.10	43.40	40.70	38.00	35.30
280	300	52.90	50.10	47.40	44.70	42.00	39.30
300	320	56.90	54.10	51.40	48.70	46.00	43.30
320	340	60.90	58.10	55.40	52.70	50.00	47.30
340	360	64.90	62.10	59.40	56.70	54.00	51.30
360	380	68.90	66.10	63.40	60.70	58.00	55.30
380	400	72.90	70.10	67.40	64.70	62.00	59.30
\$400 or over		20% of the excess over \$400 plus					
		\$74.90	\$72.10	\$69.40	\$66.70	\$64.00	\$61.30

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is biweekly"

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	\$1.70					
20	30	4.30	\$1.60				
30	40	6.30	3.60	\$0.80	\$0.30	\$0.30	\$0.30
40	50	8.30	5.60	2.80	.60	.60	.60
50	60	10.30	7.60	4.80	2.10	.90	.90
60	80	13.30	10.60	7.80	5.10	2.40	1.40
80	100	17.30	14.60	11.80	9.70	6.40	3.70
100	120	21.30	18.60	15.80	13.70	10.40	7.70
120	140	25.30	22.60	19.80	17.70	14.40	11.70
140	160	29.30	26.60	23.80	21.70	18.40	15.70
160	180	33.30	30.60	27.80	25.70	22.40	19.70
180	200	37.30	34.60	31.80	29.70	26.40	23.70
200	220	41.30	38.60	35.80	33.70	30.40	27.70
220	240	45.30	42.60	39.80	37.70	34.40	31.70
240	260	49.30	46.60	43.80	41.70	38.40	35.70
260	280	53.30	50.60	47.80	45.70	42.40	39.70
280	300	57.30	54.60	51.80	49.70	46.40	43.70
300	320	61.30	58.60	55.80	53.70	50.40	47.70
320	340	65.30	62.60	59.80	57.70	54.40	51.70
340	360	69.30	66.60	63.80	61.70	58.40	55.70
360	380	73.30	70.60	67.80	65.70	62.40	59.70
380	400	77.30	74.60	71.80	69.70	66.40	63.70
\$400 or over		20% of the excess over \$200 plus					
		\$79.30	\$76.60	\$73.80	\$71.10	\$68.40	\$65.70

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is biweekly"

And the wages are		And such person is the head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	1.40	1.40	.90	.90	.90	.90
60	80	4.40	4.40	1.70	1.40	1.40	1.40
80	100	8.40	8.40	5.70	3.00	2.00	2.00
100	120	12.40	12.40	9.70	7.00	4.30	2.60
120	140	16.40	16.40	13.70	11.00	8.30	5.60
140	160	20.40	20.40	17.70	15.00	12.30	9.60
160	180	24.40	24.40	21.70	19.00	16.30	13.60
180	200	28.40	28.40	25.70	23.00	20.30	17.60
200	220	32.40	32.40	29.70	27.00	24.30	21.60
220	240	36.40	36.40	33.70	31.00	28.30	25.60
240	260	40.40	40.40	37.70	35.00	32.30	29.60
260	280	44.40	44.40	41.70	39.00	36.30	33.60
280	300	48.40	48.40	45.70	43.00	40.30	37.60
300	320	52.40	52.40	49.70	47.00	44.30	41.60
320	340	56.40	56.40	53.70	51.00	48.30	45.60
340	360	60.40	60.40	57.70	55.00	52.30	49.60
360	380	64.40	64.40	61.70	59.00	56.30	53.60
380	400	68.40	68.40	65.70	63.00	60.30	57.60
\$400 or over		20% of the excess over \$400 plus					
		\$70.40	\$70.40	\$67.70	\$65.00	\$62.30	\$59.60

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is semimonthly"

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	2.30	1.40	.60	.60	.60	.60
50	60	6.30	3.40	.90	.90	.90	.90
60	80	9.30	6.40	3.50	1.30	1.30	1.30
80	100	13.30	10.40	7.50	4.60	1.90	1.90
100	120	17.30	14.40	11.50	8.60	5.70	2.90
120	140	21.30	18.40	15.50	12.60	9.70	6.90
140	160	25.30	22.40	19.50	16.60	13.70	10.90
160	180	29.30	26.40	23.50	20.60	17.70	14.90
180	200	33.30	30.40	27.50	24.60	21.70	18.90
200	220	37.30	34.40	31.50	28.60	25.70	22.90
220	240	41.30	38.40	35.50	32.60	29.70	26.90
240	260	45.30	42.40	39.50	36.60	33.70	30.90
260	280	49.30	46.40	43.50	40.60	37.70	34.90
280	300	53.30	50.40	47.50	44.60	41.70	38.90
300	320	57.30	54.40	51.50	48.60	45.70	42.90
320	340	61.30	58.40	55.50	52.60	49.70	46.90
340	360	65.30	62.40	59.50	56.60	53.70	50.90
360	380	69.30	66.40	63.50	60.60	57.70	54.90
380	400	73.30	70.40	67.50	64.60	61.70	58.90
\$400 or over		20% of the excess over \$400 plus					
		\$75.30	\$72.40	\$69.50	\$66.60	\$63.70	\$60.90

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is semimonthly"

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	.90	.90	.90	.90	.90	.90
60	80	3.90	1.30	1.30	1.30	1.30	1.30
80	100	7.90	5.00	2.10	1.90	1.90	1.90
100	120	11.90	9.00	6.10	3.20	2.60	2.50
120	140	15.90	13.00	10.10	7.20	4.30	3.10
140	160	19.90	17.00	14.10	11.20	8.30	5.40
160	180	23.90	21.00	18.10	15.20	12.30	9.40
180	200	27.90	25.00	22.10	19.20	16.30	13.40
200	220	31.90	29.00	26.10	23.20	20.30	17.40
220	240	35.90	33.00	30.10	27.20	24.30	21.40
240	260	39.90	37.00	34.10	31.20	28.30	25.40
260	280	43.90	41.00	38.10	35.20	32.30	29.40
280	300	47.90	45.00	42.10	39.20	36.30	33.40
300	320	51.90	49.00	46.10	43.20	40.30	37.40
320	340	55.90	53.00	50.10	47.20	44.30	41.40
340	360	59.90	57.00	54.10	51.20	48.30	45.40
360	380	63.90	61.00	58.10	55.20	52.30	49.40
380	400	67.90	65.00	62.10	59.20	56.30	53.40
\$400 or over		20% of the excess over \$400 plus					
		\$69.90	\$67.00	\$64.10	\$61.20	\$58.30	\$55.40

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is semimonthly"

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$1.50	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	3.50	2.60	1.60	1.60	1.60	1.60
50	60	5.50	2.60	1.60	1.40	1.90	1.90
60	80	8.50	5.60	2.80	1.30	1.30	1.30
80	100	12.50	9.60	6.80	3.90	1.90	1.90
100	120	16.50	13.60	10.80	7.90	5.00	2.50
120	140	20.50	17.60	14.80	11.90	9.00	6.10
140	160	24.50	21.60	18.80	15.90	13.00	10.10
160	180	28.50	25.60	22.80	19.90	17.00	14.10
180	200	32.50	29.60	26.80	23.90	21.00	18.10
200	220	36.50	33.60	30.80	27.90	25.00	22.10
220	240	40.50	37.60	34.80	31.90	29.00	26.10
240	260	44.50	41.60	38.80	35.90	33.00	30.10
260	280	48.50	45.60	42.80	39.90	37.00	34.10
280	300	52.50	49.60	46.80	43.90	41.00	38.10
300	320	56.50	53.60	50.80	47.90	45.00	42.10
320	340	60.50	57.60	54.80	51.90	49.00	46.10
340	360	64.50	61.60	58.80	55.90	53.00	50.10
360	380	68.50	65.60	62.80	59.90	57.00	54.10
380	400	72.50	69.60	66.80	63.90	61.00	58.10
\$400 or over---		20% of the excess over \$400 plus					
		\$74.50	\$71.60	\$68.80	\$65.90	\$63.00	\$60.10

"If the pay-roll period with respect to an employee is semimonthly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	\$1.70					
20	30	4.20	\$1.40				
30	40	6.20	3.30	\$0.40	\$0.30	\$0.30	\$0.30
40	50	8.20	5.30	2.40	.60	.60	.60
50	60	10.20	7.30	4.40	1.50	.90	.90
60	80	13.20	10.30	7.40	4.50	1.70	1.30
80	100	17.20	14.30	11.40	8.50	5.70	2.80
100	120	21.20	18.30	15.40	12.50	9.70	6.80
120	140	25.20	22.30	19.40	16.50	13.70	10.80
140	160	29.20	26.30	23.40	20.50	17.70	14.80
160	180	33.20	30.30	27.40	24.50	21.70	18.80
180	200	37.20	34.30	31.40	28.50	25.70	22.80
200	220	41.20	38.30	35.40	32.50	29.70	26.80
220	240	45.20	42.30	39.40	36.50	33.70	30.80
240	260	49.20	46.30	43.40	40.50	37.70	34.80
260	280	53.20	50.30	47.40	44.50	41.70	38.80
280	300	57.20	54.30	51.40	48.50	45.70	42.80
300	320	61.20	58.30	55.40	52.50	49.70	46.80
320	340	65.20	62.30	59.40	56.50	53.70	50.80
340	360	69.20	66.30	63.40	60.50	57.70	54.80
360	380	73.20	70.30	67.40	64.50	61.70	58.80
380	400	77.20	74.30	71.40	68.50	65.70	62.80
\$400 or over		20% of the excess over \$400 plus					
		\$79.20	\$76.30	\$73.40	\$70.50	\$67.70	\$64.80

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is semimonthly

And the wages are		And such person is a head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	.90	.90	.90	.90	.90	.90
60	80	3.90	3.90	1.30	1.30	1.30	1.30
80	100	7.90	7.90	5.00	2.10	1.90	1.90
100	120	11.90	11.90	9.00	6.10	3.20	2.50
120	140	15.90	15.90	13.00	10.10	7.20	4.30
140	160	19.90	19.90	17.00	14.10	11.20	8.30
160	180	23.90	23.90	21.00	18.10	15.20	12.30
180	200	27.90	27.90	25.00	22.10	19.20	16.30
200	220	31.90	31.90	29.00	26.10	23.20	20.30
220	240	35.90	35.90	33.00	30.10	27.20	24.30
240	260	39.90	39.90	37.00	34.10	31.20	28.30
260	280	43.90	43.90	41.00	38.10	35.20	32.30
280	300	47.90	47.90	45.00	42.10	39.20	36.30
300	320	51.90	51.90	49.00	46.10	43.20	40.30
320	340	55.90	55.90	53.00	50.10	47.20	44.30
340	360	59.90	59.90	57.00	54.10	51.20	48.30
360	380	63.90	63.90	61.00	58.10	55.20	52.30
380	400	67.90	67.90	65.00	62.10	59.20	56.30
\$400 or over		20% of the excess over \$400 plus					
		\$69.90	\$69.90	\$67.00	\$64.10	\$61.20	\$58.30

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is monthly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$1.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	3.60	.40	.40	.40	.40	.40
70	80	5.60	.70	.70	.70	.70	.70
80	100	8.60	2.80	1.10	1.10	1.10	1.10
100	120	12.60	6.80	1.70	1.70	1.70	1.70
120	140	16.60	10.80	5.10	2.30	2.30	2.30
140	160	20.60	14.80	9.10	3.30	2.90	2.90
160	200	26.60	20.80	15.10	9.30	3.80	3.80
200	240	34.60	28.80	23.10	17.30	11.50	5.70
240	280	42.60	36.80	31.10	25.30	19.50	13.70
280	320	50.60	44.80	39.10	33.30	27.50	21.70
320	360	58.60	52.80	47.10	41.30	35.50	29.70
360	400	66.60	60.80	55.10	49.30	43.50	37.70
400	440	74.60	68.80	63.10	57.30	51.50	45.70
440	480	82.60	76.80	71.10	65.30	59.50	53.70
480	520	90.60	84.80	79.10	73.30	67.50	61.70
520	560	98.60	92.80	87.10	81.30	75.50	69.70
560	600	106.60	100.80	95.10	89.30	83.50	77.70
600	640	114.60	108.80	103.10	97.30	91.50	85.70
640	680	122.60	116.80	111.10	105.30	99.50	93.70
680	720	130.60	124.80	119.10	113.30	107.50	101.70
720	760	138.60	132.80	127.10	121.30	115.50	109.70
760	800	146.60	140.80	135.10	129.30	123.50	117.70
\$800 or over		20% of the excess over \$800 plus					
		\$150.60	\$144.80	\$139.10	\$133.30	\$127.50	\$121.70

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has—					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be—							
\$0	\$40						
40	50						
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	.40	.40	.40	.40	.40	.40
70	80	.70	.70	.70	.70	.70	.70
80	100	1.10	1.10	1.10	1.10	1.10	1.10
100	120	1.70	1.70	1.70	1.70	1.70	1.70
120	140	5.70	2.30	2.30	2.30	2.30	2.30
140	160	9.70	4.00	2.90	2.90	2.90	2.90
160	200	15.70	10.00	4.20	3.80	3.80	3.80
200	240	23.70	18.00	12.20	6.40	5.00	5.00
240	280	31.70	26.00	20.20	14.40	8.60	6.20
280	320	39.70	34.00	28.20	22.40	16.60	10.80
320	360	47.70	42.00	36.20	30.40	24.60	18.80
360	400	55.70	50.00	44.20	38.40	32.60	26.80
400	440	63.70	58.00	52.20	46.40	40.60	34.80
440	480	71.70	66.00	60.20	54.40	48.60	42.80
480	520	79.70	74.00	68.20	62.40	56.60	50.80
520	560	87.70	82.00	76.20	70.40	64.60	58.80
560	600	95.70	90.00	84.20	78.40	72.60	66.80
600	640	103.70	98.00	92.20	86.40	80.60	74.80
640	680	111.70	106.00	100.20	94.40	88.60	82.80
680	720	119.70	114.00	108.20	102.40	96.60	90.80
720	760	127.70	122.00	116.20	110.40	104.60	98.80
760	800	135.70	130.00	124.20	118.40	112.60	106.80
\$800 or over		20% of the excess over \$800 plus					
		\$139.70	\$134.00	\$128.20	\$122.40	\$116.60	\$110.80

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	.20	.40	.40	.40	.40	.40
70	80	.40	.70	.70	.70	.70	.70
80	100	.70	1.30	1.10	1.10	1.10	1.10
100	120	1.10	5.30	1.70	1.70	1.70	1.70
120	140	15.10	9.30	3.50	2.30	2.30	2.30
140	160	19.10	13.30	7.60	2.90	2.90	2.90
160	200	25.10	19.30	13.60	7.70	3.80	3.80
200	240	33.10	27.30	21.50	15.70	10.00	5.00
240	280	41.10	35.30	29.50	23.70	18.00	12.20
280	320	49.10	43.30	37.50	31.70	26.00	20.20
320	360	57.10	51.30	45.50	39.70	34.00	28.20
360	400	65.10	59.30	53.50	47.70	42.00	36.20
400	440	73.10	67.30	61.50	55.70	50.00	44.20
440	480	81.10	75.30	69.50	63.70	58.00	52.20
480	520	89.10	83.30	77.50	71.70	66.00	60.20
520	560	97.10	91.30	85.50	79.70	74.00	68.20
560	600	105.10	99.30	93.50	87.70	82.00	76.20
600	640	113.10	107.30	101.50	95.70	90.00	84.20
640	680	121.10	115.30	109.50	103.70	98.00	92.20
680	720	129.10	123.30	117.50	111.70	106.00	100.20
720	760	137.10	131.30	125.60	119.70	114.00	108.20
760	800	145.10	139.30	133.50	127.70	122.00	116.20
\$800 or over		20% of the excess over \$800 plus					
		\$149.10	\$143.30	\$137.50	\$131.70	\$126.00	\$120.20

"If the pay-roll period with respect to an employee is monthly"

And the wages are		And such person is the head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	.40	.40	.40	.40	.40	.40
70	80	.70	.70	.70	.70	.70	.70
80	100	1.10	1.10	1.10	1.10	1.10	1.10
100	120	1.70	1.70	1.70	1.70	1.70	1.70
120	140	5.70	5.70	2.30	2.30	2.30	2.30
140	160	9.70	9.70	4.00	2.90	2.90	2.90
160	200	15.70	15.70	10.00	4.20	3.80	3.80
200	240	23.70	23.70	18.00	12.20	6.40	5.00
240	280	31.70	31.70	26.00	20.20	14.40	8.60
280	320	39.70	39.70	34.00	28.20	22.40	16.60
320	360	47.70	47.70	42.00	36.20	30.40	24.60
360	400	55.70	55.70	50.00	44.20	38.40	32.60
400	440	63.70	63.70	58.00	52.20	46.40	40.60
440	480	71.70	71.70	66.00	60.20	54.40	48.60
480	520	79.70	79.70	74.00	68.20	62.40	56.60
520	560	87.70	87.70	82.00	76.20	70.40	64.60
560	600	95.70	95.70	90.00	84.20	78.40	72.60
600	640	103.70	103.70	98.00	92.20	86.40	80.60
640	680	111.70	111.70	106.00	100.20	94.40	88.60
680	720	119.70	119.70	114.00	108.20	102.40	96.60
720	760	127.70	127.70	122.00	116.20	110.40	104.60
760	800	135.70	135.70	130.00	124.20	118.40	112.60
\$800 or over		20% of the excess over \$800 plus					
		\$139.70	\$139.70	\$134.00	\$128.20	\$122.40	\$116.60

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period"

And the wages divided by the number of days in such period, are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1						
1	2						
2	3	\$0.20					
3	4	.40	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.60	.40	.20	.10	.10	.10
5	6	.80	.60	.40	.25	.10	.10
6	7	1.00	.80	.60	.45	.25	.15
7	8	1.20	1.00	.80	.65	.45	.25
8	9	1.40	1.20	1.00	.85	.65	.45
9	10	1.60	1.40	1.20	1.05	.85	.65
10	12	1.90	1.70	1.50	1.35	1.15	.95
12	14	2.30	2.10	1.90	1.75	1.55	1.35
14	16	2.70	2.50	2.30	2.15	1.95	1.75
16	18	3.10	2.90	2.70	2.55	2.35	2.15
18	20	3.50	3.30	3.10	2.95	2.75	2.55
20	22	3.90	3.70	3.50	3.35	3.15	2.95
22	24	4.30	4.10	3.90	3.75	3.55	3.35
24	26	4.70	4.50	4.30	4.15	3.95	3.75
26	28	5.10	4.90	4.70	4.55	4.35	4.15
28	30	5.50	5.30	5.10	4.95	4.75	4.55
\$30 and over		20% of excess over \$30 plus					
		\$5.70	\$5.50	\$5.30	\$5.15	\$4.95	\$4.75

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages paid fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

"If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period"

And the wages, divided by the number of days in such period, are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1						
1	2						
2	3						
3	4	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.25	.10	.10	.10	.10	.10
5	6	.45	.25	.10	.10	.10	.10
6	7	.65	.45	.25	.15	.15	.15
7	8	.85	.65	.45	.30	.15	.15
8	9	1.05	.85	.65	.50	.30	.20
9	10	1.25	1.05	.85	.70	.50	.60
10	12	1.55	1.35	1.15	1.00	.80	.60
12	14	1.95	1.75	1.55	1.40	1.20	1.00
14	16	2.35	2.15	1.95	1.80	1.60	1.40
16	18	2.75	2.55	2.35	2.20	2.00	1.80
18	20	3.15	2.95	2.75	2.60	2.40	2.20
20	22	3.55	3.35	3.15	3.00	2.80	2.60
22	24	3.95	3.75	3.55	3.40	3.20	3.00
24	26	4.35	4.15	3.95	3.80	3.60	3.40
26	28	4.75	4.55	4.35	4.20	4.00	3.80
28	30	5.15	4.95	4.75	4.60	4.40	4.20
\$30 and over		20% of excess over \$30 plus					
		\$5.35	\$5.15	\$4.95	\$4.80	\$4.60	\$4.40

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages paid fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

"If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period"

And the wages, divided by the number of days in such period, are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1						
1	2						
2	3	\$0.15					
3	4	.35	\$0.15	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.55	.35	.15	.10	.10	.10
5	6	.75	.55	.35	.20	.10	.10
6	7	.95	.75	.55	.40	.20	.15
7	8	1.15	.95	.75	.60	.40	.20
8	9	1.35	1.15	.95	.80	.60	.40
9	10	1.55	1.35	1.15	1.00	.80	.60
10	12	1.85	1.65	1.45	1.30	1.10	.90
12	14	2.25	2.05	1.85	1.70	1.50	1.30
14	16	2.65	2.45	2.25	2.10	1.90	1.70
16	18	3.05	2.85	2.65	2.50	2.30	2.10
18	20	3.45	3.25	3.05	2.90	2.70	2.50
20	22	3.85	3.65	3.45	3.30	3.10	2.90
22	24	4.25	4.05	3.85	3.70	3.50	3.30
24	26	4.65	4.45	4.25	4.10	3.90	3.70
26	28	5.05	4.85	4.65	4.50	4.30	4.10
28	30	5.45	5.25	5.05	4.90	4.70	4.50
\$30 and over		20% of excess over \$30 plus					
		\$5.65	\$5.45	\$5.25	\$5.10	\$4.90	\$4.70

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages paid fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

"If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period"

And the wages, divided by the number of days in such period, are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1						
1	2						
2	3						
3	4	\$0.10	\$0.05				
4	5	.25	.05	.25	\$0.05	\$0.05	\$0.05
5	6	.45	.25	.45	.30	.10	.10
6	7	.65	.45	.65	.50	.30	.10
7	8	.85	.65	.85	.70	.50	.30
8	9	1.05	.85	1.05	.90	.70	.50
9	10	1.25	1.05	1.25	1.10	.90	.70
10	12	1.45	1.25	1.45	1.30	1.10	.90
12	14	1.65	1.45	1.65	1.50	1.30	1.10
14	16	1.85	1.65	1.85	1.70	1.50	1.30
16	18	2.05	1.85	2.05	1.90	1.70	1.50
18	20	2.25	2.05	2.25	2.10	1.90	1.70
20	22	2.45	2.25	2.45	2.30	2.10	1.90
22	24	2.65	2.45	2.65	2.50	2.30	2.10
24	26	2.85	2.65	2.85	2.70	2.50	2.30
26	28	3.05	2.85	3.05	2.90	2.70	2.50
28	30	3.25	3.05	3.25	3.10	2.90	2.70
\$30 and over		20% of excess over \$30 plus					
		\$5.95	\$5.75	\$5.55	\$5.40	\$5.20	\$5.00

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages paid fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

"If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period"

And the wages, divided by the number of days in such period, are		And such person is head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1						
1	2						
2	3						
3	4	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.25	.25	.10	.10	.10	.10
5	6	.45	.45	.25	.10	.10	.10
6	7	.65	.65	.45	.25	.15	.15
7	8	.85	.85	.65	.45	.30	.15
8	9	1.05	1.05	.85	.65	.50	.30
9	10	1.25	1.25	1.05	.85	.70	.50
10	12	1.55	1.55	1.35	1.15	1.00	.80
12	14	1.95	1.95	1.75	1.55	1.40	1.20
14	16	2.35	2.35	2.15	1.95	1.80	1.60
16	18	2.75	2.75	2.55	2.35	2.20	2.00
18	20	3.15	3.15	2.95	2.75	2.60	2.40
20	22	3.55	3.55	3.35	3.15	3.00	2.80
22	24	3.95	3.95	3.75	3.55	3.40	3.2

"(2) If wages are paid with respect to a period which is not a pay-roll period, the amount to be withheld shall be that applicable in the case of a miscellaneous pay-roll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any pay-roll period or other period, the amount to be withheld shall be that applicable in the case of a miscellaneous pay-roll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than 1 week, at the election of the employer the amount to be withheld shall be determined under the tables applicable in the case of a weekly pay-roll period, and for such purpose the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

"(d) Tax paid by recipient: If all of the taxes against which the tax required to be withheld and collected under this part may be credited have been paid, the tax so required to be withheld, collected, and paid by the employer shall not be collected from the employee; but payment of such taxes shall in no case relieve the employer from liability for additions to the tax otherwise applicable in respect of the tax imposed by this chapter.

"(e) Credit for tax withheld at source: The tax withheld and deducted under this part shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income; but the amount withheld and deducted as tax under this part during any calendar year upon the wages of any individual shall be allowed as a credit to the recipient of the income against the tax imposed by sections 11 and 12, or section 400, as the case may be, and section 450 (adjusted for the credit allowed by section 453) for taxable years beginning in such calendar year.

"(f) Refunds: Where there has been an overpayment of tax under this part, any refund or credit made under section 322 shall be made to the employer to the extent that the amount of such overpayment was not withheld and collected under this part by the employer.

"(g) Included and excluded wages: If the remuneration paid by an employer to an employee for services performed during one-half or more of any pay-roll period of not more than 31 consecutive days constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than one-half of any such pay-roll period does not constitute wages, then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

"(h) Withholding exemption certificates: Every employee receiving wages (as defined in section 465) shall furnish his employer a signed withholding exemption certificate relating to his status for the purpose of computing the withholding exemption, or if the employer exercises his election under section 466 (b) (relating to wage bracket withholding), for the purpose of computing the amount to be withheld under such subsection. In case such a certificate is required because of a change of status, it shall be furnished not later than 10 days after such change occurs. The certificate shall be in

such form and contain such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe. Such certificate—

"(1) If furnished after the date of commencement of employment with the employer, shall take effect as of the beginning of the last pay-roll period beginning prior to, or with respect to the first payment of wages without regard to a pay-roll period made after, the expiration of 30 days after the date on which such certificate is furnished to the employer, except that at the election of the employer such certificate may be made effective as of the beginning of any previous pay-roll period ending, or with respect to any previous payment of wages without regard to a pay-roll period made, on or after the date of the furnishing of such certificate.

"(2) If furnished on the date of commencement of employment shall take effect as of the beginning of the first pay-roll period ending, or the first payment of wages made without regard to a pay-roll period, on or after the date on which such certificate is furnished to the employer.

"A certificate which takes effect under this subsection shall continue in effect with respect to the employer until another such certificate furnished by the employee takes effect under this subsection. If no certificate is in effect under this subsection with respect to an employee, such employee shall be treated, for the purposes of the withholding exemption, or in case the employer exercises his election under section 466 (c) (relating to wage bracket withholding), for the purpose of computing the amount to be withheld under such subsection, as a married person claiming none of the personal exemption for withholding.

"(1) Overlapping pay periods, and so forth: If a payment of wages is made to an employee by an employer—

"(1) with respect to a pay-roll period or other period, any part of which is included in a pay-roll period or other period with respect to which wages are also paid to such employee by such employer, or

"(2) without regard to any pay-roll period or other period, but on or prior to the expiration of a pay-roll period or other period with respect to which wages are also paid to such employee by such employer, or

"(3) with respect to a period beginning in one and ending in another calendar year,

the manner of withholding and the amount to be withheld under this subchapter shall be determined under regulations prescribed by the Commissioner with the approval of the Secretary.

"Sec. 467. Liability for tax, and adjustments.

"(a) Employer liable for tax: The employer shall be liable for the payment of the tax required to be withheld and collected under this part, and shall not be liable to any person for the amount of any such payment.

"(b) Adjustments: If more or less than the correct amount of tax is withheld or paid for any quarter in any calendar year, proper adjustments, with respect both to the tax withheld or the tax paid, may be made in any subsequent quarter of such calendar year, without interest, in such manner and at such times as may be prescribed by regulations made by the Commissioner, with the approval of the Secretary.

"Sec. 468. Return and payment by employer.

"In lieu of the time prescribed in sections 53 and 56 for the return and payment of the tax imposed by this chapter, every employer shall make a return and pay the tax required to be withheld and collected under this part on or before the last day of the month following the close of each quarter of each calendar year. Such return shall contain or be verified by a written declaration that it is made under the penalties of perjury. The employer shall include with the final return

for the calendar year a duplicate copy of each receipt required to be furnished under section 469. The employer shall also keep such records and render under oath such statements with respect to the tax so withheld and collected as may be required under regulations prescribed by the Commissioner, with the approval of the Secretary. If the employer is the United States, or a State, Territory, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return required in respect of the amount withheld and collected upon any wages may be made by any officer or employee of the United States, or of such State, Territory, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose. A deficiency may be determined on the basis of the amounts required to be withheld and collected during a calendar year, and in such case the amount of the tax shown on the return shall be held and considered to be the aggregate of the amounts of tax shown on the quarterly returns, the tax imposed under this part shall be held and considered to be the aggregate of the taxes imposed for each quarter of the calendar year, the date prescribed for the payment of the tax shall be held and considered to be the date prescribed for the making of the last quarterly return, and for the purpose of ascertaining the return on the basis of which such deficiency is determined, the quarterly returns shall be held and considered to be one return required to be made on the date prescribed for the making of the last quarterly return.

"Sec. 469. Receipts.

"(a) Wages: Every employer required to withhold and collect a tax in respect of the wages of an employee shall furnish to each such employee in respect of his employment during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of wages is made, a written statement showing the wages paid by the employer to such employee during such calendar year, and the amount of the tax withheld and collected under this part in respect of such wages.

"(b) Statements to constitute information returns: The statements required to be furnished by this section in respect of any wages shall be in lieu of the return required to be furnished by the employer in respect of such wages under section 147 and shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe.

"(c) Extension of time: The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the statements required to be furnished to employees on the day on which the last payment of wages is made.

"Sec. 470. Penalties.

"(a) Penalties for fraudulent receipt or failure to furnish receipt: In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 469 to furnish a receipt in respect of tax withheld pursuant to this part who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 469, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof be fined not more than \$1,000, or imprisoned for not more than 1 year, or both.

“(b) Additional penalty: In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 469 to furnish a receipt in respect of tax withheld pursuant to this part who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 469, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of not more than \$50.

“(c) Failure of employer to file return or pay tax: In case of any failure to make and file return or pay the tax required by this part, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not due to willful neglect, the addition to the tax provided for in section 291 shall not be less than \$10.

“(d) Penalties in respect of withholding exemption certificates: Any individual required to supply information to his employer under section 466 (h) who willfully supplies false or fraudulent information, or who willfully fails to supply information thereunder which would decrease the withholding exemption, shall, in lieu of the penalty provided in section 145 (a), upon conviction thereof, be fined not more than \$500, or imprisoned for not more than 1 year, or both.”

“(b) Technical amendment: The heading of subchapter D of chapter 1 of the Internal Revenue Code is amended by inserting at the end thereof the following: ‘And collection of tax at source on wages.’

“(c) Expiration date for withholding at source on wages repealed: Section 476 of the Internal Revenue Code (prescribing the expiration date for the taxes imposed by subchapter D) is amended by inserting before ‘this subchapter’ the following: ‘Part I of.’

“(d) Effective date: The amendments made by subsections (a), (b), and (c) shall take effect July 1, 1943, and shall be applicable to all wages paid on or after such date.

“SEC. 4. Refunds.

“(a) Excessive withholding: Section 322 (a) (2) of the Internal Revenue Code (relating to excessive withholding) is amended to read as follows:

“(2) Excessive withholding: Where the amount of the tax withheld at the source under part II of subchapter D exceeds the taxes imposed by this chapter (after allowance of the credits provided by sections 31, 32, and 453) against which the tax so withheld may be credited under section 466 (e), the amount of such excess shall be credited against any income tax or installment thereof then due from the taxpayer, and any balance thereof shall be refunded immediately to the taxpayer.”

“(b) Review of allowance of interest: Section 3790 of the Internal Revenue Code (prohibiting administrative review of Commissioner's decisions) is amended by inserting at the end thereof the following: ‘In the absence of fraud or mistake in mathematical calculation, the allowance or nonallowance by the Commissioner, of interest on any credit or refund of amounts withheld under part II of subchapter D of chapter 1, or of amounts paid thereunder, or of payments of the estimated tax made under section 59, shall not, except as provided in chapter 5, be subject to review by any other administrative or accounting officer, employee, or agent of the United States.’

“SEC. 5. Current payment of tax not withheld at source.

“(a) In general: The Internal Revenue Code is amended by striking out sections 58, 59, and 60 and inserting in lieu thereof the following:

“SEC. 58. Declaration of estimated tax by individuals.

“(a) Requirement of declaration: Every individual (other than an estate or trust and

other than a nonresident alien subject to withholding under section 143 (b)) shall, at the time during the taxable year prescribed in subsection (d), make a declaration of his estimated tax for the taxable year if—

“(1) his gross income from wages (as defined in section 465)

“(A) in case such individual is single or married but not living with husband or wife: Can reasonably be expected to exceed \$2,700 for the taxable year; or did exceed \$2,700 for the preceding taxable year; or

“(B) in case such individual is married and living with husband or wife: Can when added to the gross income which can reasonably be expected to be received by such husband or wife from wages (as so defined) reasonably be expected to exceed \$3,500 for the taxable year; or did when added to the gross income of such husband or wife from wages (as so defined) for the preceding taxable year, exceed \$3,500 for such preceding taxable year, or

“(2) his gross income from sources other than wages (as defined in section 465)

“(A) in case such individual is single or married but not living with husband or wife: Can reasonably be expected to exceed \$100 for the taxable year and his gross income to be such as will require the making of a return for the taxable year under section 51; or did exceed \$100 for the preceding taxable year and such individual either was required to make a return under section 51 for such preceding taxable year or would have been so required if he had been single during the whole of such preceding taxable year; or

“(B) in case such individual is married and living with husband or wife: can when added to the gross income which can reasonably be expected to be received by husband or wife from such sources, reasonably be expected to exceed \$100 for the taxable year and the aggregate gross income of such husband and wife can reasonably be expected to be such as will require the making of a return under section 51; or did, when added to the gross income of such husband or wife from such sources for the preceding taxable year, exceed \$100 for such preceding taxable year and such individual would have been required to make a return under section 51 for such preceding taxable year if he had been married and living with husband or wife during the whole of such preceding taxable year.

“(b) Contents of declaration: In the declaration required under subsection (a) the individual shall state—

“(1) the amount which he estimates as the amount of tax under sections 11 and 12, or 400, as the case may be, and section 450, for the taxable year, without regard to any credits under sections 32 and 466 (e);

“(2) the amount which he estimates as the credits for the taxable year under sections 32 and 466 (e); and

“(3) the excess of the amount estimated under paragraph (1) over the amount estimated under paragraph (2), which for the purposes of this chapter shall be held and considered the estimated tax for the taxable year.”

“The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

“(c) Joint declaration by husband and wife: In the case of a husband and wife living together, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint

return is not made for the taxable year, the estimated tax for such year may be treated as the estimated tax of either the husband or the wife, or may be divided between them.

“(d) Time and place for filing: The declaration required under subsection (a) shall be filed on or before the 15th day of the third month of the taxable year, except that if the requirements of subsection (a) are first met after such date, the declaration shall be filed on or before the 15th day of the last month of the quarter of the taxable year in which such requirements are first met. An individual may make amendments or revisions of a declaration filed under this subsection, under regulations prescribed by the Commissioner with the approval of the Secretary. If so made, such amendments or revisions shall be filed on or before the 15th day of any quarter of the taxable year subsequent to that in which the declaration was filed and in which no previous amendments or revisions have been made or filed. Declarations and amendments and revisions thereof shall be filed with the Collector specified in section 53 (b) (1).

“(e) Extension of time: The Commissioner may grant a reasonable extension of time for filing declarations, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than 6 months.

“(f) Persons under disability: If the taxpayer is unable to make his own declaration, the declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

“(g) Signature presumed correct: The fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

“SEC. 59. Payment of estimated tax.

“(a) In general: The estimated tax shall be paid in four equal installments except that

“(1) if the declaration is filed (otherwise than pursuant to an extension of time) after the 15th day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year (including the quarter in which the declaration is filed); and

“(2) if any amendment or revision of a declaration is filed, the remaining installments shall be ratably increased or decreased, as the case may be, to reflect the increase or decrease, as the case may be, in the estimated tax by reason of such amendment or revision; and

“(3) at the election of the individual, any installment of the estimated tax may be paid prior to the date prescribed for its payment.”

Payment of the estimated tax shall be considered payment on account of the tax for the taxable year.

“(b) Assessments: The estimated tax shall be assessed only to the extent paid.

“SEC. 60. Special rules for application of sections 58 and 59.

“(a) Farmers: In the case of an individual whose estimated gross income from farming for the taxable year is at least 80 percent of the total estimated gross income from all sources for the taxable year, in lieu of the time prescribed in section 58 (d), the declaration for the taxable year may be made at any time on or before the 15th day of the last month of the taxable year.

“(b) Application to short taxable years: The application of sections 58, 59, and 294 (a) (4) and (5) to taxable years of less than 12 months shall be as prescribed in regulations prescribed by the Commissioner with the approval of the Secretary.

"(c) Application to taxable years beginning in 1943: If the taxable year is the calendar year 1943, the 15th day of September 1943, shall be substituted for the 15th day of March for the purposes of section 58 (d). If the taxable year begins in 1943 after January 1, the date which shall be substituted for the 15th day of the third month of the taxable year for the purposes of section 58 (d) shall be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary."

"(b) Additions to tax: Section 294 (a) of the Internal Revenue Code (relating to additions to tax in case of nonpayment) is amended by inserting at the end thereof the following:

"(3) Failure to file declaration of estimated tax: In the case of a failure to make and file a declaration of estimated tax within the time prescribed there shall be added to the tax \$10 or an amount equal to 10 percent of the tax, whichever is the greater.

"(4) Failure to pay installment of estimated tax: In the case of the failure to pay an installment of the estimated tax within the time prescribed, there shall be added to the tax \$2.50 or 2½ percent of the tax, whichever is the greater, for each installment with respect to which such failure occurs.

"(5) Substantial underestimate of tax: If 80 percent of the tax, in the case of individuals other than farmers exercising an election under section 60 (a), or if 66⅔ percent of the tax in the case of such farmers, exceeds the estimated tax, there shall be added to the tax an amount equal to 6 percent of such excess."

"(c) Penalties: Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after 'return' wherever appearing therein the words 'or declaration,' and (2) by inserting before 'tax' wherever appearing therein the words 'estimated tax or.'

"(d) Payment by installments: Section 56 (b) of the Internal Revenue Code (relating to installment payments) is amended by striking out 'The' at the beginning thereof and inserting in lieu thereof 'Except in the case of an individual (other than an estate or trust and other than a nonresident alien subject to withholding under section 143 (b)) the.'

"(e) Taxable years to which applicable: The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1942.

"Sec. 6. Additional allowance for members of armed forces.

"(a) In general: Section 22 (b) (13) of the Internal Revenue Code (relating to additional allowance for military and naval personnel in computing net income) is amended to read as follows:

"(13) Additional allowance for military and naval personnel: In the case of compensation received during any taxable year and before the termination of the present war as proclaimed by the President, by a member of the military or naval forces of the United States for active service in such forces during such war, so much of such compensation as does not exceed the excess of \$3,500 over the personal exemption claimed under section 25 (b) by such member for such taxable year (and by his spouse, if such member is married and living with his spouse on the last day of the taxable year and such spouse is not entitled to the benefits of this paragraph."

"(b) Effective date: The amendment made by subsection (a) shall apply with respect to all compensation received after December 31, 1941, by a member of the military or naval forces of the United States for active service in such forces.

"Sec. 7. Abatement of tax for members of armed forces in year of death.

"(a) In general: Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

"Supplement U—Abatement of tax for members of armed forces in year of death

"Sec. 421. Abatement of tax for members of armed forces in year of death.

"In the case of any individual who dies while in active service as a member of the military or naval forces of the United States and prior to the termination of the present war as proclaimed by the President, the tax imposed by this chapter shall not apply with respect to the taxable year in which falls the date of his death, and the tax under this chapter and under the corresponding title of each prior revenue law for preceding taxable years which is unpaid at the date of his death (including interest, additions to the tax, and additional amounts) shall not be assessed, and if assessed the assessment shall be abated, and if collected shall be credited or refunded as an overpayment."

"(b) The amendment made by subsection (a) shall be effective on and after December 7, 1941."

Mr. COOPER (during the reading of the amendment). Mr. Chairman, I think the gentleman from Kansas will bear me out in the statement that in the final revised form of his bill which is offered as a substitute amendment, there are only five pages that differ from the committee bill.

Mr. CARLSON of Kansas. I wish to say to the gentleman from Tennessee, that is correct.

Mr. COOPER. In view of that explanation, Mr. Chairman, I ask unanimous consent that the further reading of the amendment be dispensed with.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. COOPER. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 30 minutes, 15 minutes to be controlled by the chairman of the committee and 15 minutes by the gentleman from Minnesota [Mr. KNUTSON].

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

Mr. RANKIN. Mr. Chairman, reserving the right to object—

Mr. CURTIS. Mr. Chairman, reserving the right to object, do I understand we will be able to offer amendments at any point in the Carlson substitute under the request which the gentleman has made?

The CHAIRMAN. The Carlson amendment is entirely open to amendment.

Mr. KNUTSON. That is, for 30 minutes.

Mr. PATMAN. Mr. Chairman, reserving the right to object—

Mr. RANKIN. Mr. Chairman, I reserve the right to object.

Mr. MORRISON of North Carolina. Mr. Chairman, I reserve the right to object.

Mr. PATMAN. I want 5 minutes to discuss the matter. I hope the gentleman will arrange it so that I will have 5 minutes.

Mr. TALLE. Mr. Chairman, reserving the right to object, I would like to have 5 minutes.

Mr. RANKIN. Mr. Chairman, reserving the right to object, and I think I reserved the right to object first, at any rate I want to say to the gentleman from Tennessee that I have a very important

amendment that I would like to offer to the Carlson amendment. If the Carlson amendment is voted down, I will offer it later. I would like to have 5 minutes.

Mr. COOPER. I made this request as a result of an agreement between the chairman of the Ways and Means Committee and the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. That is correct.

Mr. COOPER. I submitted the request as the result of an agreement reached by those gentlemen. Of course, if it is objected to, that ends the matter.

The CHAIRMAN. Is there objection?

Mr. DOUGHTON. I would like to state that while 15 minutes is agreeable to me and is agreeable to the gentleman from Minnesota, I have no desire to cut off other members who have not had an opportunity to speak in general debate. In that case if many Members desire to speak I would be glad to have my friend agree to rescind that.

Mr. RANKIN. Well, I will object, Mr. Chairman, and that will end the argument.

The CHAIRMAN. The gentleman from Kansas is recognized for 5 minutes in support of his amendment.

Mr. CARLSON of Kansas. Mr. Chairman, we are now approaching the time that I think every Member of this Committee has been looking forward to. I do not think there is a Member on the floor of this House who does not believe we ought to dispose of this matter today. The country expects us to do it, and I think for the best interests of every Member of this House—and for the country as a whole, we must demonstrate that we can legislate. It is to be hoped, therefore, that this afternoon this House will adopt some proposal and send it to the Senate. I am, of course, very anxious that my substitute proposal be adopted and approved. No one denies that we need to get our taxpayers on a current basis.

I have never tried to evade this abatement issue. I say there is an abatement in my bill, just as there is in the committee bill. The question is: Do you think we can afford to pay the price to get them current? I think we can; in fact, I do not think we can afford to do otherwise; we need to do it for the solvency of the Treasury and we need to do it for the solvency of the taxpayers of this country.

Three proposals will be submitted this afternoon; there may be others, but three have been discussed here in the general debate on the bill. They are the committee bill, the Forand-Robertson bill, and the proposal I am offering.

We do not want to get too worried about this so-called forgiveness proposition. Let us remember that the forgiveness in the committee bill is \$4,671,100,000; in the Forand-Robertson bill the forgiveness is \$7,600,000; and in my bill it is \$8,534,000,000. The question you have to decide this afternoon is: Do you want to forgive about \$5,000,000,000 and get 7,000,000 taxpayers current, but make the rest get current by doubling up? Or do you want to forgive \$7,600,000,000 and get all taxpayers who are in the first normal income tax bracket and the first surtax income

bracket current? Or do you want to forgive something over \$8,000,000,000 and get all the taxpayers current? This is the question you are going to vote on this afternoon.

There are some things about the bill I am offering that I do not like, but it is the best bill I have been able to work out, and those on the minority side have been able to work out, and we have worked hard on this bill.

When you vote on my substitute amendment today, remember there are 37,500,000 taxpayers receiving under \$5,000 net income. They would become current this year under my proposal. All taxpayers over \$5,000 become current by paying the higher of 1942 or 1943, and by paying tax on any so-called windfall in the year otherwise abated.

There may be some people who will benefit, but we have an excess-profits tax law on our statute books, and we tried to draw that law as tight as we could, so if anybody benefits it will be just because you cannot get a tax bill that reaches everyone, as you would like. Therefore, even though a few people receive some benefits, let us not this afternoon destroy the benefits to some 44,000,000 taxpayers just because you can single out 1 individual or 2 and talk about that case. That is the issue this afternoon. Let us remember that we need this legislation because of the post-war period, which we hope will soon be here, when 17,500,000 men and women, today working in war industry and drawing high wages, will have to shift from war economy to peacetime occupations. They will be living on unemployment compensation checks. Do you expect them to pay their taxes on previous incomes out of compensation checks? They cannot do it.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. COOPER. Mr. Chairman, I rise in opposition to the amendment.

The CHAIRMAN. The gentleman from Tennessee is recognized for 5 minutes.

Mr. COOPER. Mr. Chairman, I first want to thank my good friend the distinguished gentleman from New Jersey for the very kind remarks he made with reference to my efforts in connection with this bill, and I appreciate the very fair and frank statement made by my good friend the distinguished gentleman from Kansas who just preceded me. We have an honest difference of opinion on this important question. I accord to him the same sincerity of purpose and honesty of desire that I know he so cheerfully accords to me. The fact is that practically all of the objections that have been heretofore raised against the Carlson bill can be raised at this time. I do want to point out one thing that I think is of rather great importance.

It has been claimed here repeatedly that the Carlson bill will yield more revenue to the Treasury than the committee bill. I hold here two schedules prepared by the Treasury Department—one prepared at the request of the gentleman from Kansas, who asked the Treasury Department to make estimates on his bill, and the other at my request, to give

me estimates on both bills, the committee bill and the Carlson bill. These schedules will show that during the calendar years 1942, 1943, and 1944—this transition period—the committee bill will yield \$3,576,600,000 more revenue to the Treasury than the Carlson bill will yield. Now, that is shown by these estimates prepared by the Treasury Department, one of them prepared at the request of the gentleman from Kansas. It shows that the estimate under his bill for these 3 years is \$28,744,000,000. Under the committee bill the estimate for these 3 years is \$32,320,600,000, a difference of \$3,576,600,000 additional that the committee bill will yield over the Carlson bill.

Mr. Chairman, I want to invite your attention to the statement placed in the RECORD yesterday showing how the Carlson so-called antiwindfall provision fails to meet this situation with respect to enormous profits made out of this war. The gentleman from Kansas has endeavored, as he said, to do his best to try to meet that situation, but it just cannot be met by these gadgets that he has provided here. It will mean that many of the war profiteers will go free of the payment of any of this tax on these enormous war profits. It cannot be defended and that part of his bill has not been cured. The defects still remain as they have in the past.

This Carlson bill, which is now offered as an amendment, is about the fourth version of the Ruml plan. Why is it necessary to keep revising it, to keep changing it, if the Ruml plan was perfect to start with? This is about the fourth version that we have had presented here for consideration, and, as I said a moment ago, all of the objectionable features heretofore pointed out still obtain. This new gadget to try to prevent windfalls will not work and it simply does not cure those defects that have heretofore been pointed out. I want to invite your attention again, as did the majority leader and the gentleman from Oklahoma, to these cases appearing on page 3905 of the RECORD.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Kansas [Mr. CARLSON].

Mr. Chairman, the gentleman from Tennessee [Mr. COOPER] who has just taken his place called attention to the fact that this is the fourth plan submitted by the gentleman from Kansas [Mr. CARLSON]. If it were not for violating what took place in executive sessions of the committee I could multiply that figure by a considerable number if applied to the plans that were offered in committee. The majority started out with a pledge to the country to make the American taxpayer current, but it has fallen down on that promise. To hear them talk one would think that the Federal Treasury would lose billions and billions of dollars if the Carlson bill were enacted into law, but they have not shown as yet where the Federal Treasury will lose a dollar this year, next year, the following year, or any other year under the Carlson plan. Do you suppose

we would stand here and advocate forgiveness of a complete year's receipts to the Federal Treasury? Why, it is preposterous. We are just as patriotic as you men on that side are. We realize the need of the Federal Treasury and we come to you in good conscience with the Carlson plan because under the operation of that bill the Federal Treasury would collect more than \$3,000,000,000 in addition to what will be collected under the existing law. Do you call that a forgiveness? Yes, there is an abatement finally, but it comes when you lose your job or your income drops or you die. That is when whatever the abatement is will take place. I have never in all my years here, and I have been here over a quarter of a century, heard so much misrepresentation as has been indulged in by the House on this subject, and the authors knew better than to make the statements they did. If they did not it would be a confession of gross ignorance.

Mr. Chairman, I want to call the attention of the Members of the House to the fact that under the committee bill the Federal Treasury will collect much more money than it will under the Carlson bill. Why? Because the committee bill doubles up the taxes. How are you going to explain that after next March 15, assuming that the committee bill is enacted and you meet a constituent on the street and he asks, "Why is it that you piled 33½ percent in additional taxes on me this year under your bill?"

Do you not feel that the American taxpayers are carrying a big enough load now? We do. After all, this Government belongs to all the people and any abatement that takes place is not going to destroy the country. The country will yet remain and all of our national assets remain subject to taxation.

What about the big estates that so much concern has been shown for—these 50 families? Let me say that any benefit which accrues to the estate at the time of the death of the individual will be taken care of by the estate tax. I am surprised at some of the misrepresentations that have taken place on the floor, not only today but yesterday and in the debate that we had a month ago. It is about time that you get down to brass tacks, face realities, and present this matter in a fair manner instead of misrepresenting it, not only to the Congress but to the people of the country.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DOUGHTON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, the distinguished gentleman from Minnesota who has just preceded me continues to assert that under the Carlson-Ruml scheme or plan or whatever it is the Treasury will receive more money than it will under the committee bill. I do not know what he means.

Mr. KNUTSON. I did not say that. I said more than under existing law.

Mr. DOUGHTON. Under existing law. We are talking about what we are doing here. You are trying to get away from existing law and skip a year.

Mr. KNUTSON. No; the gentleman is in error on that.

Mr. DOUGHTON. That has been fully demonstrated by the gentleman from Tennessee when he gave figures from the Treasury Department showing that under our bill the Treasury will receive \$3,576,000,000 more money under the committee bill than under the Ruml-Carlson scheme. Now, that ought to be satisfactory and I do not think the gentleman should chastise us and say it is time to get down to facts and quit misrepresenting things. I have never accused the gentleman of misrepresenting things, but he has a proposition which I think is unsupported by the facts, and I challenge it.

Mr. KNUTSON. I never accused the gentleman of misrepresenting.

Mr. DOUGHTON. The distinguished gentleman from Ohio said the people should have what they want. Of course, I agree with that as a general proposition, but let us look at it this way. We all would like to have the war stopped now, but we cannot stop it until it is won. Therefore, we have to deal with things practically, as they are and not as we would like to have them. We have to levy a tax in proportion to the ability of the people to pay and in proportion to the needs of the Government. That is our responsibility. The gentleman from Ohio [Mr. JENKINS] says that practically everybody is for the Ruml plan. How does he know that?

I am afraid he has formed that opinion after reading a few of the mercenary newspapers which speak only for the big interests of this country.

But I have received one telegram after another showing that the people of this country, when they understand it, are not for the Ruml-Carlson plan. I received this telegram just a few minutes ago:

Our organization, with a membership of 50,000 workers in insurance companies, banks, publishing firms, social agencies, and other commercial offices, strongly supports your tax bill and is unalterably opposed to Ruml plan. Please use this message in any manner that would be helpful.

RICHARD LEWIS,
Acting Secretary-Treasurer, United
Office and Professional Workers
of America, 8 West Fortieth
Street, New York City.

Fifty thousand workers, bankers, insurance men, and businessmen, send me a telegram that they are 100 percent behind our committee bill and 100 percent opposed to the Ruml plan.

My friends misunderstand the situation when they read a few papers that try to make you believe that the majority of the people of this country believe in skipping an entire year's taxes. They do not favor such a proposition at all. My friends read that in the New York Times, a paper that has misrepresented me and my position constantly since this legislation has been under consideration. I do not criticize all newspapers. Some of them have been manifestly fair, but I know when they are fair and I know when they are not.

My position, with all due respect to the distinguished gentleman from Kansas, than whom there is no finer Member in

this House, conscientious, able, and devoted to his duties, is that his anti-windfall provisions are a delusion and a deception, and do not accomplish the purpose for which they are intended. He has just admitted that there will be a cancellation of taxes for 1 year amounting to more than \$8,000,000,000, which is the greatest windfall of all. He takes 1941 as a normal year by which to measure the windfalls of 1942 and 1943, but 1941 was a war year when salaries and wages and profits were greatly increased, and so were 1942 and 1943.

The distinguished gentleman from Georgia [Mr. VINSON], in the previous debate here, placed in the RECORD some facts we all ought to know and see.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. DOUGHTON. I took the position then that the windfall provisions are wholly inadequate to take care of the profits received by war brokers. This is because the year 1941 is treated as the normal year. I have before me a table inserted in the RECORD by the gentleman from Georgia [Mr. VINSON], which shows that in 1939 a certain individual received \$68,000; in 1940, \$102,000; in 1941, \$203,000; and in 1942, \$287,000. There is no antiwindfall provision in the Carlson plan which takes care of these war profits. It is frankly admitted by all parties that this is a delusion since the antiwindfall provision only pretends to take care of less than \$1,000,000,000 out of a cancellation of 1 year's taxes of practically \$10,000,000,000.

Mr. Chairman, there never has been a worse deception than that. It is not intentional, of course, but everyone knows that if you do not pay a year's taxes then you have received the benefit of the cancellation of 1 year's taxes.

Men on this floor continue to tell us about the doubling up, about the increase in taxes, but they do not tell us how the taxes are abated; they do not tell us how much benefit under our bill the taxpayer receives. On a \$2,500 taxable income a married taxpayer receives an abatement or a benefit of 63 percent. On \$5,000 he receives a benefit of 52 percent. On \$10,000 he receives a cancellation of 40 percent. Can you go back home and tell your constituents that you voted for a cancellation of 100 percent?

We have tried in this bill to make the taxpayers current and our bill makes the payment of taxes just as current as the Carlson bill does. We abate the increase in taxes attributable to the 1942 act. Do you want to give yourselves a bonus? Go back home and explain, if you can, that you voted to give yourselves a bonus of 100 percent. We give you an abatement of 40 percent in our committee bill, as well as other taxpayers having an income of \$10,000, but you propose a windfall to yourselves and ourselves, if you vote for this amend-

ment, of 100 percent. That is exactly what it is. You do not say anything about the forgiveness of 40 percent, but your head becomes a fountain and your eyes rivers of water about increasing the taxes on those who are most able to pay them.

The CHAIRMAN. The time of the gentleman from North Carolina has again expired.

Mr. COOPER. Mr. Chairman, I wonder if we can arrive at some agreement now about limiting the time for debate.

Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in not to exceed 1 hour.

Mr. PATMAN. Reserving the right to object, Mr. Chairman, that will give those of us who are standing, and desire time, only a little over 3 minutes each.

Mr. MORRISON of North Carolina. Those of us who are opposed to all of these bills have had no opportunity to enter into the discussion before, and I do think it is but reasonable to give us a little chance to express ourselves.

Mr. ALLEN of Louisiana. Reserving the right to object, we who have amendments to offer certainly ought to have 5 minutes each, and so should the other Members.

Mr. PATMAN. Reserving the right to object, Mr. Chairman, I shall ask the gentleman from Tennessee to change his request so that Members may have 5 minutes each. That is certainly fair.

Mr. COOPER. Mr. Chairman, I modify the request to make it 1 hour and 15 minutes.

Mr. PATMAN. That is not 5 minutes each. We are likely to get into some difficulty about parliamentary procedure and take up a lot of this time.

Mr. COOPER. Any time taken up in parliamentary procedure does not come out of this time.

Mr. MORRISON of North Carolina. At this time I shall have to object, Mr. Chairman.

Mr. COOPER. Mr. Chairman, I move that all debate on this amendment and all amendments thereto close in not to exceed 1 hour and 15 minutes.

The motion was agreed to.

The CHAIRMAN. The Chair recognizes the gentleman from North Carolina [Mr. MORRISON].

Mr. MORRISON of North Carolina. Mr. Chairman, why has this whole country's revenue legislation been thrown into a demoralization greater than it has even experienced before? Why this effort to relieve the taxpayers of this country for the taxes due on all of their transactions in business and all of their services for which they received salaries and wages for a whole year? Why on the other hand the effort to change the revenue bill so as to levy rates for 1 year on another year, and then double up in part for 3 years? Why is all that done? On account of the promise of the greatest "gold brick" proposition ever offered the people of the United States, to wit, the current payment of your taxes. That is what it is all pretendedly for. And the first thing we find in this remarkable make-the-taxpayer-current idea is a total failure to deal with cor-

porations in any particular whatsoever, and you are going to put those who draw salaries and wages and all of the individual taxpayers upon a current basis and leave the corporations to pay taxes like gentlemen, as we do at this time, almost whenever they get ready during a whole year. That is unrepugnant, it is undemocratic, it is un-American, and there is no good reason for it. Why do they say that a corporation cannot be made to pay currently? Because it will be a lot of trouble to the corporations. Mr. Chairman, it will be less trouble to them than it will be to any of the individual taxpayers. The corporations keep books, they know exactly what they are doing from day to day and it is very easy for them to do it. Yet, it is not necessary to bring them up to a current basis in their taxation.

How about the individuals? When we consider it, and look into it, there has never been such an audaciously unrepugnant, undemocratic, un-American proposition before the House of Representatives in my day. The proposition is to take the wage earners first, and the salary drawers, and as the colored folks in my State say, put a "yaller dog" tag on them and segregate them into a condemned group and their incomes and salaries taken from them for tax not yet due and which they may never owe. This is clearly violative of the Constitution of the United States as anything ever attempted—taking property without due process of law and then you take his tax, and he may have other income and deductible losses, and he must make finally what we call a temporary report or statement to the Treasury, under solemn pains and penalties, in danger of criminal responsibility if it is not correct, in danger of civil responsibility if it is not correct, carrying a severe danger to every citizen of this Republic, and they must make it quarterly, and then pay the tax according to what they guess they made.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

Mr. MORRISON of North Carolina. Mr. Chairman, may I have 2 or 3 more minutes to finish my talk? We have had nothing on our side. I ask unanimous consent to proceed for 10 minutes.

The CHAIRMAN. The Chair reminds the gentleman from North Carolina that the time has been limited to 1 hour and 15 minutes, and that there are 17 who wish to be heard in that time.

Mr. MORRISON of North Carolina. Well, we cannot be heard, but it is rotten to its very core.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. REED.]

[Mr. REED of New York addressed the Committee. His remarks will appear hereafter in the Appendix.]

The CHAIRMAN. The time of the gentleman from New York has expired. The gentleman from Rhode Island [Mr. FORAND] is recognized.

Mr. FORAND. Mr. Chairman, much has been said about this tax bill. It is doubtful if I could add a great deal to the

discussion, but before we reach the conclusion of the debate I want to call attention to the fact that the bill I introduced yesterday, H. R. 2577, is printed and available to you. I am hopeful that the House will have an opportunity to vote on that bill today. It does not forgive a year's taxes as does the Carlson bill, but it forgives a portion. It does not double up, as does the committee bill, in any sense whatsoever. It forgives the first 19 units for everybody from top to bottom and therefore permits that when increases in taxes are imposed in the future, as they inevitably will be, the taxes can be imposed upon everybody and not just on the middle and lower classes. A complete year's forgiveness, such as is provided in the Carlson bill, means that the people in the upper brackets will have forgiveness of a large sum of money, yet the brackets not being disturbed, you will not be able to reach them when you impose new taxes, but that load will have to be spread among the other taxpayers of the country. Forgiving the 19 units means making 90 percent of the taxpayers current. Those who will not be made current will continue to pay the surplus over the 19-percent bracket in the following year just as they are doing today. Because of that fact I feel that this is a more fair and a more equitable bill than any of the others. My bill contains the withholding provisions of both the Carlson bill and the committee bill; also the abatement of taxes for men who die in the service, and exemptions for service people are raised to \$3,500. The bill does not contain any provision for discounts.

I am hopeful that when the vote is taken we can vote down in Committee of the Whole the Carlson bill and at that time, with that substitute being out of the way, I shall offer my bill as a substitute, and that you will support it.

The CHAIRMAN. The time of the gentleman from Rhode Island has expired. The gentleman from Mississippi [Mr. RANKIN] is recognized.

Mr. RANKIN. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. RANKIN to the Carlson amendment: Page 61, after line 2, insert:

"SEC. 8. Tax with respect to coming into possession or enjoyment of property acquired from a decedent.

"Chapter 3 of the Internal Revenue Code is amended by adding at the end thereof the following new subchapter:

"SUBCHAPTER C—SPECIAL INHERITANCE TAX

"SEC. 950. Imposition of tax.

"In the case of any property which would be includible in the gross estate of a decedent under the provisions of section 811 if it were not for the fact that the death of the decedent occurred or the transfer was made before June 6, 1932 (whether or not before September 8, 1916), there shall be imposed upon the coming into possession or enjoyment of such property after the date of the enactment of the Individual Income Tax Collection Act of 1943 by any individual citizen or resident of the United States, a tax equal to the sum of the percentages set forth in section 935 of the net value of the beneficial interest of which the possession or enjoyment was so acquired by such individual.

"SEC. 951. Gross value of beneficial interest.

"The gross value of the beneficial interest shall be determined as of the date on which its possession or enjoyment was acquired.

"SEC. 952. Net value of beneficial interest.

"The net value of the beneficial interest shall be determined by deducting from the gross value of such interest an exemption of \$100,000.

"SEC. 953. Administrative provisions.

"Insofar as applicable and not inconsistent with the provisions of this subchapter, the provisions of subchapter A shall be applicable to the levy, assessment, and collection of the tax imposed by this subchapter."

Mr. COOPER. Mr. Chairman, I reserve a point of order against the amendment.

The CHAIRMAN. The gentleman reserves a point of order. The gentleman from Mississippi is recognized for 5 minutes.

Mr. RANKIN. Mr. Chairman, this is the provision that I have been urging for some time, and I expect to keep up the struggle until we reach these large fortunes that are now escaping taxes entirely.

Before the passage of the income-tax amendment, large interests, through their shrewd lawyers, knowing that the American people were going to adopt an income- and inheritance-tax amendment, created these trusts and through them transferred their property, you might say, to future generations. In that way they have escaped all inheritance and income taxes on those inheritances. I have called your attention from time to time to the Marshall Field estate, for instance. It is not by itself. There are others in the same position.

This Marshall Field trust was created back about 1912 or 1913, transferring this property over to the present Marshall Field III upon the becoming of age of his youngest child, which will be September of this year. Unless this amendment, or some similar provision is enacted, this estate will never pay one single dollar in taxes. Yet it has grown to something like \$200,000,000. It is being used, as I have pointed out before, for the financing of PM, a publication that is engaged in maligning Members of Congress, and the money that is lost on it is even deducted from his income for purposes of estimating his current income taxes.

I hope this point of order will not be made. I believe this amendment represents the wishes of the overwhelming majority of this Congress. I believe it represents the wishes of 90 percent of the American people.

Are you going down into the pockets of the laboring men and take a part of their pay to help carry on this war and then sit here and see this vast estate of \$200,000,000 piled into the lap of this man to be squandered as it is being squandered now, and not pay a dollar of taxes?

I know that some of you want to forgive a year's taxes, and you say they will be here to pay it later. I do not know whether they will or not. I imagine that some of them will be in South America, Central America, Asia, Canada, or some other country, where they do not have high income taxes, in the years to come.

I am not in favor of letting them escape now, and unloading that burden on you and your children and on our servicemen when they come back from this war. For that reason I shall vote for the committee bill as between the two, but I would prefer to see the law stand as it is except I would like to see this amendment adopted in order that we may reach these large estates that are absolutely escaping taxation.

I hope the gentleman from Tennessee will not make his point of order against the amendment, but that the House will adopt the amendment and say that these large estates, when they fall into the hands of favored individuals who never earned a dollar of them, will have to pay the same taxes as any other estates.

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. COOPER. Mr. Chairman, I make the point of order against the amendment. I do not believe the Committee should be called upon at this time to pass upon the merits of this amendment.

I make the point of order that the amendment is not germane to this bill.

This bill is one to provide for the current payment of individual income taxes. This amendment seeks to amend the estate tax law which is not touched in any way in this bill. The gentleman from Mississippi will doubtless have ample opportunity to present this issue when the next tax bill is under consideration, but certainly this is not the appropriate time or place for this kind of amendment. There is nothing in this bill relating to the subject matter of the amendment. I therefore regret to have to make the point of order but make it nevertheless.

Mr. RANKIN. Mr. Chairman, may I be heard on the point of order?

The CHAIRMAN. The Chair will hear the gentleman from Mississippi on the point of order.

Mr. RANKIN. Mr. Chairman, I rise in opposition to the point of order and in doing so I ask the gentleman from Tennessee if I may have any assurance that I shall be able to present this amendment to a regular tax bill between now and September of this year? If not it will be too late. I am taking this course because it is the only one that I see open to me.

Mr. COOPER. There has been a tax bill here every year for the last 10 years, but I am unable to assure the gentleman just when the next one is going to be considered. All the indications are that we shall have an opportunity to do so within the near future.

Mr. RANKIN. I hope so. This bill is rather far reaching; it touches everything from the man who would escape the payment of three and one-half million dollars a year under the Carlson plan, or the Ruml plan, on down to the little individual who pays \$1 in income taxes. The enacting clause of this bill reads:

Be it enacted, etc., That (a) this act is to be cited as the current tax payment act of 1943.

It seems to me, that inasmuch as this is a tax collection measure, my amend-

ment would be in order, and therefore the point of order should be overruled.

The CHAIRMAN. The Chair is prepared to rule.

The Chair draws attention to the fact that the bill under consideration provides for the current payment of individual income taxes. The amendment offered by the gentleman relates to inheritance taxes.

The point of order is sustained.

Mr. CURTIS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CURTIS to the Carlson amendment: Page 44, line 19, following subsection (i) of section 466, add a new subsection, as follows:

"(j) Upon the request of an employee, made at the beginning of any taxable year, the employer shall, before withholding the tax as provided in this section, deduct from the amount of wages paid to such employee the average amount for each pay-roll period of the religious, educational, charitable, and other contributions as defined in section 23 (c) of the Internal Revenue Code, which the employee certifies he will pay during the current year."

Mr. CURTIS. Mr. Chairman, I shall support the Carlson bill.

Mr. Chairman, my amendment pertains to the withholding tax not only of the Carlson bill but of the committee bill as well. You will find a copy of the amendment on page 3719 of the RECORD for yesterday.

The churches of America, including all denominations, our colleges and our universities, our hospitals, and our many institutions of charity and humanitarianism, have many friends in this House of Representatives. The amendment that I have offered means a great deal to these institutions and to those splendid individuals who are charged with their maintenance and operation.

You will find in the CONGRESSIONAL RECORD of May 3 a somewhat detailed discussion of this amendment by me, on page 3917. You will also find a printed copy of this amendment.

The institutions of our country, which must depend upon the voluntary contributions of the American people, are having a most difficult time in our present war economy. It is very necessary that we keep these institutions separate and apart from the Government. At the same time, these educational, religious, and charitable concerns mean so much to the welfare of our Nation that we cannot disregard their well-being any more than we can disregard the well-being of the American homes.

I can best illustrate the import of my amendment by citing an example. Under the present law, a taxpayer may deduct from his net income contributions which fall within a certain category set out in the Internal Revenue Code in an amount up to 15 percent of his net income. That is the law of the land, but let us consider the very practical situation that the vast majority of the taxpayers of America will face. Under the withholding provisions of all of the tax bills before us, the taxpayer will have a deduction from his wages or salary of 20 percent. Perhaps his living costs have gone up 18 or 20 percent. He is urged

to spend 10 percent of his income for bonds. The money that he has left is not going to go very far. It is going to be most difficult for him to make the contribution to his church, to the American Red Cross, and to other worthy causes. He will be financially unable to make these contributions and to take his credit at the end of the year. My amendment provides that he may take credit for these contributions as he goes along.

Let us take the case of a taxpayer whose salary is \$200 a month. If my amendment prevails, he may notify his employer that he expects to contribute 10 percent of his income to his church and to the American Red Cross. This would be \$20 per month. The employer then would withhold the tax from the taxpayer's wages, not on the basis of a \$200 monthly salary but on the basis of \$180. It is very evident that if the taxpayer has the method available so that he can make his contributions each month and thereby reduce the base for applying the withholding tax, many more contributions will be made.

The passage of this amendment may mean the difference between continuance and closing of some of these worth-while institutions. It will give the American Red Cross, many hospitals, libraries, colleges, and our churches a working basis upon which they may obtain their contributions and will enable them to also have a pay-as-you-go plan. I sincerely hope that the amendment will be adopted.

Mr. COOPER. Mr. Chairman, I rise in opposition to the amendment but shall take only a moment or two.

While we all recognize the merit and the desire to be of assistance to these religious and charitable institutions yet I would point out—and I assume the gentleman from Kansas will probably want to discuss this inasmuch as it is an amendment to his amendment—this would involve interminable work upon all the employers of this country. Provision is made under these tables that appear in the bill for deductions, including religious and charitable contributions, but if this amendment were to be adopted all these tables would be disrupted and put out of line, and it would mean in practical effect that every employer would have to ascertain from every employee what his contributions are to religious and charitable institutions, and it will mean a great deal of work and difficulty for all the employers of the country who have the added responsibility and difficulty of withholding at the source on these wages and salaries. I do think this should be borne in mind, because it will be a tremendous burden to place on the employers of this country. Bear in mind further that the taxpayer can give his religious and charitable contributions and when he makes his final return he may claim them and there will be no difficulty along that line, but to insert it as an amendment will disrupt these tables and cause considerable work and trouble for the employers of the country.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Nebraska [Mr. CURTIS].

The amendment was rejected.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. PATMAN].

RUMPL PLAN WILL CREATE NEW CROP OF WAR MILLIONAIRES

Mr. PATMAN. Mr. Chairman, in December 1929 there was a bill before the House of Representatives which had for its purpose the remitting or giving to the income taxpayers of the country \$160,000,000, and it was claimed then that it was a large gratuity, bounty, or bonus to the income taxpayers. The argument was made by Mr. Hawley, who was chairman of the committee, that it was necessary to give this money to the income taxpayers so as to have continuing prosperity. It was claimed that they needed the money in circulation. Mr. Hawley was telling the truth. We had just had the stock market collapse and it looked like we needed some money in circulation and a shot in the arm for the country. So that argument at that time was logical.

There was a campaign very similar to the Rumpl plan campaign put on at that time through the newspapers, a Mayor LaGuardia, then a Member of this body, in addressing the House on December 5, 1929, said:

Now, this so-called reduction has been sold to the people of my State. The sales talk in the last few weeks since it was recommended has been so effective in my State that in my representative capacity I can do nothing else than vote for it.

That is the kind of sales campaign they have had on this Rumpl plan. The difference is that then there was a logical argument that they needed this money in circulation, they needed more money, because we had just had the stock market collapse. If someone then had offered the suggestion that they give \$10,000,000,000 away, I imagine somebody would have said that would be too inflationary, it would absolutely ruin the country, so \$160,000,000 was all that the Congress was willing to risk after the stock market collapse.

Here we are faced with the situation where many Members are willing to give \$10,000,000,000 at a time when we do not want more purchasing power. We want to absorb purchasing power, we want to freeze it, we want to have money put in Government bonds and savings, and we want to keep it out of circulation. Imagine the difference between those times in 1929 and the time now. Now is no time unless you just want to have inflation to give away \$10,000,000,000.

The point has been made that the servicemen will have to pay this money after they come back. Yes, and they will have to pay twice as much money or three times as much money because if we do not collect it from income taxpayers we must turn around and borrow it at interest from the commercial banks; then by the time we pay it back we will have paid twenty or thirty billion dollars instead of \$10,000,000,000.

So I insist that the passage of the Rumpl plan will cause a sales tax to be enacted in order to pay for it. In addition, it is a printing press money proposition, and a German inflation will be

caused by its passage which will be ruinous inflation, it will be a bonus for the rich at the expense of the poor and it will create a new crop of war millionaires in World War No. 2.

The CHAIRMAN. The Chair recognizes the gentleman from New Jersey [Mr. EATON].

Mr. EATON. Mr. Chairman, I have been in favor of the Rumpl plan from the beginning. I voted for it the other day and I am going to vote for it again today and I am quite willing to accept the moral responsibility which some of the distinguished statesmen in the House feel will attach to this action.

I am especially interested in that aspect of the case. I was tremendously intrigued by the statement of the beloved and distinguished majority leader made on the floor today in which he pointed out that if we pass the Rumpl plan and go before our voters in 1944 they will repudiate us because of the moral obliquity involved; consequently he advises us as a sound, sane political move, to vote against the Rumpl-Carlson bill.

I am sorry to see political consideration of that type introduced into this discussion. So far as I am concerned, I am going to vote my convictions regardless of what may happen to me in 1944.

Mr. KNUTSON. Will the gentleman yield?

Mr. EATON. I yield to the gentleman from Minnesota.

Mr. KNUTSON. The political solicitude shown by the majority for the minority is really very touching.

Mr. EATON. I am glad that the gentleman is touched. He will be touched worse than that when this tax bill goes through and the tax collector calls on him.

May I say in conclusion that I am unable to comprehend the alleged moral question which has been raised so repeatedly here, why it is 100 percent holy and pure to remit fifty percent of the 1942 taxes and distinctly vile and wicked to remit 100 percent.

I do not like the word "forgive" as applied to our taxpayers. If there is any forgiveness involved in the action of this Congress and the administration toward its taxpayers, it ought to be on the part of the taxpayers toward the wild and weird wastefulness and extravagance which has too often been indulged in by this administration. If we are to place our Federal taxes upon a current pay-as-you-go basis, in my judgment, the straight, practical way to do it is to turn our backs upon the past, and make a fresh start in 1943 with a levy of current taxes laid with equal justice upon all citizens according to their ability to pay.

The CHAIRMAN. The Chair recognizes the gentleman from Louisiana [Mr. ALLEN].

Mr. ALLEN of Louisiana. Mr. Chairman, I offer an amendment which I send to the clerk's desk.

The clerk read as follows:

Amendment offered by Mr. ALLEN of Louisiana: Page 61, line 4, after the period, insert a new section as follows:

"Section 8. (a) Section 3691 (a) of the Internal Revenue Code (relating to personal

property exempt from distraint) is amended to read as follows:

"(a) State exemptions to apply: There shall be exempt from distraint and sale such personal property as would be exempt from sale if the distraint constituted execution on a judgment."

"(b) Section 3700 of the Internal Revenue Code (relating to distraint on real estate) is amended (1) by inserting before 'When goods' at the beginning thereof the following paragraph heading '(a) In General.—'; and (2) by inserting at the end thereof the following:

"(b) State exemptions to apply: There shall be exempt from distraint and sale such real estate as would be exempt from sale if the distraint constituted execution on a judgment."

Mr. KNUTSON. Mr. Chairman, I make a point of order against the amendment.

Mr. ALLEN of Louisiana. Will the gentleman withhold the point of order?

Mr. KNUTSON. I reserve the point of order, Mr. Chairman.

Mr. ALLEN of Louisiana. Mr. Chairman, my amendment simply seeks to protect the homes that are going to be put on the block regardless of which bill passes. There is now no Federal protection whatever for homes under the income-tax law. I read here a paragraph from a letter from the Commissioner of Internal Revenue in which he states:

There is no existing provision of law which would prevent the seizure and sale of a taxpayer's home to satisfy a claim for income taxes.

In the revision of my remarks, I shall include the entire letter of the Commissioner.

Heretofore we have had only 3,000,000 or 4,000,000 income taxpayers, mostly persons who can protect their homes, but now we are going to have about 44,000,000 people paying taxes, and we are going to reach down into the poorest homes of the land. You Members of Congress will hear of homes being sold for Federal income taxes. Some of these homes will be in your district. Sickness, hospital bills, and other unavoidable expenses will take every cent of revenue, and many poor persons may see their homes sold for the taxes now being levied, unless Congress adopts some measure to protect homes. The present tax rate reaches into the lowest income brackets and this means that it reaches into the most humble homes, and there is not a line of law to protect those homes from being seized and sold for even the smallest levy of income tax. Recently I introduced a bill, H. R. 2514, to take care of this situation, and it is this bill that I am now offering as an amendment here. As is shown in the letter quoted below, there is a little protection as to personal property, but even that is very meager, and less than we have in most States, and there is no protection at all as to real estate. My object is to remedy that very serious situation, now that nearly everybody will be paying some income tax. I realize the difficulty of presenting an amendment like this in a short time when everybody is either Rumpl or anti-Rumpl, but this amendment is meritorious. It ought to have the favorable consideration of this

House. Something ought to be done, and something must be done to protect the people in the ownership and enjoyment of their homes.

For a number of years we have been making efforts to rehabilitate homes. We have been trying to protect the poor people in the enjoyment of their homes. Now we are doing the very thing that is going to have the effect of striking out from under those homes every protection they have. Every State has laws protecting the homes, but there is no Federal law protecting them. The home-stead exemption laws vary in the several States, and so my amendment seeks to give the home owners in each State the same protection which the laws of that State give. This is fair to every State and all home owners. To fail to do that means confusion and strife. It means also that the Federal Government might become the largest owner of homes. All the efforts we have made to build homes, to finance homes, and to encourage home owning in general, will be worth little if we permit the Federal Government to step in and sell homes for a small unpaid income tax. I urge this House to give this amendment favorable consideration. Congress alone can give home owners this protection. Congress will be derelict in its duty unless it meets this urgent situation now.

Mr. KNUTSON. Mr. Chairman, in view of the very excellent explanation made by the gentleman, I withdraw the point of order.

The Commissioner's letter follows:

APRIL 16, 1943.

HON. LEONARD ALLEN,
House of Representatives.

MY DEAR MR. ALLEN: Further reference is made to your letter of March 31, 1943, in which you request to be advised whether you are correct in your understanding that there is nothing in the law to prevent the seizure and sale of a man's home to satisfy a claim of the Federal Government for income taxes.

There is no existing provision of law which would prevent the seizure and sale of a taxpayer's home to satisfy a claim for income taxes.

Section 3690 of the Internal Revenue Code provides:

"If any person liable to pay any taxes neglects or refuses to pay the same within 10 days after notice and demand, it shall be lawful for the collector or his deputy to collect the said taxes, with such interest and other additional amounts as are required by law, by distraint and sale, in the manner provided in this subchapter, of the goods, chattels, or effects, including stocks, securities, bank accounts, and evidences of debt, of the person delinquent as aforesaid."

Section 3700 of the code provides:

"When goods, chattels, or effects sufficient to satisfy the taxes imposed upon any person are not found by the collector or deputy collector, he is authorized to collect the same by seizure and sale of real estate."

Section 3691 (a) of the code provides:

"(a) Enumeration: There shall be exempt from distraint and sale, if belonging to the head of a family—

"(1) School books and wearing apparel: The school books and wearing apparel necessary for such family; also

"(2) Arms: Arms for personal use;

"(3) Livestock: One cow, 2 hogs, 5 sheep, and the wool thereof, provided the aggregate market value of said sheep shall not exceed \$50;

"(4) Fodder: The necessary food for such cow, hogs, and sheep, for a period not exceeding 30 days;

"(5) Fuel: Fuel to an amount not greater in value than \$25;

"(6) Provisions: Provisions to an amount not greater than \$50;

"(7) Household furniture: Household furniture kept for use to an amount not greater than \$300; and

"(8) Books and tools of trade or profession: The books, tools, or implements, of a trade or profession, to an amount not greater than \$100."

If further correspondence relative to this matter is necessary, please refer to IT:P:T:2-E-2:MKR.

Very truly yours,

NORMAN D. CANN,
Acting Commissioner.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Louisiana.

The question was taken; and the Chairman announced that the noes seemed to have it.

Mr. ALLEN of Louisiana. Mr. Chairman, I demand tellers.

Tellers were refused.

So the amendment was rejected.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. TALLE].

(Mr. TALLE asked and was given permission to revise his remarks.)

Mr. TALLE. Mr. Chairman, in my opinion, no good purpose would be served by recommitting this problem once more to the Committee on Ways and Means for further consideration. Preliminary action on some kind of pay-as-you-earn tax bill should be taken in this Chamber today.

The statesmen who founded our Republic and framed our Constitution paid the House of Representatives a high compliment. To the House of Representatives was given the exclusive duty and power to originate all revenue laws. We who serve in this Chamber now, like those who have served before us, have every right to take genuine pride in that compliment.

The House of Representatives in turn assigned to the Committee on Ways and Means the specific duty of writing the tax bills which are presented to the Congress for action. The members of the Ways and Means Committee have every right to take genuine pride in the compliment paid to them by the House.

The House went into the valley of decision on March 30 of this year in an attempt to pass a revenue bill. I voted to recommit that bill.

I am now prepared to state what I propose to do today, having in mind that I believe no good purpose can be served by recommitting the problem again.

I intend to vote for the Carlson bill because I want it to go to the Senate. If it fails to pass the House, I shall vote for the Robertson-Forand bill, if that is next in order. If that bill fails to pass the House, I shall vote for the committee bill, if that is next in order. If all these bills fail to pass, I shall vote for some bill on which a majority in the House may agree, because I contend that the tax cauldron has boiled over twice in this

Chamber and we should send it on to the other Chamber to undergo a cooling process.

In conclusion, I want it to be crystal-clear that no vote which I may cast today will bind me to vote either for or against the product which will come from the conference committee made up of Members of both Chambers of the Congress on whatever day their product is presented to the House. I shall feel wholly free to vote in any way I choose at that time. I trust I have made it clear that my votes today will be cast for the purpose of making progress, so that some bill may move from the House to the Senate.

The CHAIRMAN. The Chair recognizes the gentleman from Oklahoma [Mr. STEWART].

Mr. STEWART. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. STEWART to the Carlson substitute amendment: On page 8, strike out lines 15 and 16 and insert "for services performed for any organization organized and operated exclusively for religious purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, but only if such services are exclusively religious in character or are ordinarily and necessarily incident to the religious activities of such organization."

Mr. STEWART. Mr. Chairman, I offer this identical amendment when the original bill was under consideration on the 30th of March, and it received quite an audible voice support. Now, since everybody is in the humor for forgiving those who need forgiveness less than the employees of our churches, it would be well to think of the cardinal principles upon which this Government was established.

A few days ago we were paying tribute to Thomas Jefferson, the man who gave birth to the idea of the separation of church and state. My position on this amendment is simply that the amendment divorces the Government from the church and the church from the Government insofar as the church serving as fiscal agents, as was never intended. Making our churches fiscal agents and tax collectors for the Government may create a condition that will not serve too well in time to come. Surely we have not reached the point when we should turn our churches over to Government regimentation under political appointment of bureaus and expert tax agents. I appeal to you to give this amendment your very serious consideration.

This amendment does not exempt the printing offices and the rent properties of the churches. If you will follow me in the reading of this amendment, you will see that this amendment applies only if such services are exclusively religious in character or are ordinarily and necessarily incident to the religious activities of such organization—just the immediate church services. I cannot see how any of us with a clear conscience can forgive the rich and by the same stroke make our churches a fiscal agent of our

Government. I plead with you and beg of you to support this amendment.

Mr. BECKWORTH. Mr. Chairman, will the gentleman yield?

Mr. STEWART. I yield to the gentleman from Texas.

Mr. BECKWORTH. I commend the gentleman for bringing this to the attention of the Congress. I have received several letters from leading ministers of my district on this same question. I hope the matter will be dealt with properly, and I assure you of my great interest in the provisions of your amendment.

Mr. STEWART. I thank the gentleman for his contribution. I wish to re-impress upon you that this amendment was submitted when the original bill was up for consideration.

Past facts verify grounds for our churches' fears. What a specter of sorrows has been their experience.

It is not so much that the churches wish to be exempted from the payment of taxes under this bill as it is being the fiscal agent. Yet a complete exemption is not to be compared with other provisions of exemptions to the rich, labor organizations, and other institutions.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Oklahoma.

The amendment was rejected.

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Is there objection? There was no objection.

Mr. CRAWFORD. Mr. Chairman, there is just one other point I wish to cover that I did not before, because of the expiration of time. When the argument is presented that the tax burden as covered by the committee bill when spread over 3 years in certain instances exceeds the amount of the income received by the individual in any one of the years 1944, 1945, and 1946, as presented by the blackboard analysis, that does not impress me for this reason: If I understood the blackboard presentation, it shows the income of the individual for 1 year. Now, if in 1943 I receive \$100,000, and I have to pay taxes on that \$100,000 plus one-third of the taxes assessed against me on the income I received in 1942, I personally do not consider that a burden, because I received the income in 1942 also. In other words, any argument which is made to the effect that I should not pay taxes on income which I received during this war period in which we are now involved, simply carries no weight with me. Therefore, I am not convinced, nor am I converted to the idea that we are destroying the capital structures of our people by asking them to spread a year's tax liability over a 3-year period.

Furthermore, I wish to say to the House for general information that today the people here who are lined up on the two sides of this question vote collectively. We proceed on a mass basis, as the men in uniform proceed on a mass basis when they go into battle and face the cannon. Eventually, however, we must face these

issues as individuals out in the field. We shall then have to meet life as it is. Experimenting with this problem, I went home last week and held several meetings in my district, at which this question was discussed, and in addition, prior to going home, I invited the people of my district, some several thousand, to write me on this question and state exactly where they stood on the question of cancelation and meeting the taxes. One-fifth of the letters that I have received are in favor of cancelation and some of them are very emphatically in favor of cancelation and make no mistake about that; I understand the language they use—but the other four-fifths are against cancelation, and if any of the Members are interested in reading those letters, I should be very glad to permit them to do so.

Mr. BREHM. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. Yes.

Mr. BREHM. If we forgave or canceled the \$4,400,000,000 indebtedness against the citizens of Great Britain after the last war, why is it so sinful to forgive a few of our American citizens at this time?

Mr. CRAWFORD. Did the gentleman vote with me the other day on the lend-lease when I protested the cancelation motives therein?

Mr. BREHM. I did vote with the gentleman against the lend-lease.

Mr. CRAWFORD. Very well, we agree on that. I certainly did not support the cancelation or repudiation of the other debt which the gentleman calls to our attention. I regret the British did not pay it. So we still agree.

The CHAIRMAN. The time of the gentleman has expired.

The Chair recognizes the gentleman from North Carolina [Mr. CLARK].

(By unanimous consent, Mr. CLARK was granted leave to revise and extend his remarks.)

Mr. CLARK. Mr. Chairman, at present Federal income taxes are due on January 1. At that time the taxpayer knows his actual profits or losses and the exemptions to which he is entitled for the preceding year. From his records he can make his return, and if able and willing to do so may pay his entire tax on that day. Otherwise he may pay it in four quarterly installments without interest. Much might be said for the accuracy and certainty and the absence of overpayments, underpayments, refunds, and the like resulting from this system as against quarterly payments made in the course of a year based upon estimates of what the tax liability may finally be.

In his persuasive testimony before the committee, Mr. Ruml not only admitted but emphasized his opinion that the only equitable and fair method of getting current in 1943 on the payment of income taxes is by forgiving or excusing all taxpayers alike from the payment of the 1942 taxes, and everybody, including the authors of the three pending bills, admits that we can get on a so-called pay-as-you-go basis only by forgiving or postponing payment of taxes due. Even if it be admitted that the game is worth the

candle and that we can afford to pay such a price or that in the course of long years the difference would not amount to much, there must be a serious question in the minds of all reasonable persons as to whether this may not be the very worst time in the history of our Nation to make such a change.

In 1942 the Government spent in round numbers \$32,400,000,000, which was almost three times as much as during the preparedness year of 1941 and almost twice as much as in the highest year of the World War period. Twenty-three billion four hundred million or more than 70 percent of this staggering expenditure by the Government in 1942 was borrowed, and beyond any question it was the controlling factor in pushing the national income higher than it has ever been. Under existing conditions in 1942 the Government was forced to spend. In order to thus spend it was forced to borrow. Driven by stern necessity, it borrowed and spent like a prodigal. As a result, the national income jumped by leaps and bounds to new high ground. To my mind, it seems wholly unjustifiable under such conditions and for such a year to excuse or forgive the payment of taxes. To do so would indeed put the individual taxpayer upon a pay-as-you-go basis, but for the Nation considered as such the result would be exactly the opposite.

If we turn from the fiscal year 1942 and glance at the immediate present or future the picture does not brighten. The Budget has estimated that Government expenditures for the fiscal year 1943 will rise to eighty billion four hundred million, with a net increase in the public debt of sixty-two billion four hundred million. It estimates for the fiscal year 1944 Government expenditure of more than \$104,000,000,000 with a net increase of the public debt of \$75,700,000,000.

To excuse or forgive the payment of any taxes at such a time and under such conditions and in the face of such staggering and almost imaginative Government expenditures is too much for me, no matter what the virtues of the Ruml plan may be. To do so to any extent is, in my judgment, nothing short of the evasion of a plain war duty and would almost drive one to the conclusion that the only group of Americans who are really paying as they go are not on the home front.

I have voted, I think, for every tax bill that has been offered in the past 10 years, and if the pending bills levied more taxes I would vote affirmatively. But when our Nation stands face to face with the gravest crisis since it was established, and when in self-defense it is forced to borrow and spend as no other nation ever has, I cannot agree that it is wise or best for any reason to excuse or forgive the payment of any taxes, and for that reason I am unable conscientiously to support either of the pending measures.

Mr. PRICE. Mr. Chairman, I offer the following amendment which I send to the desk and ask to have read.

The Clerk read as follows:

Amendment offered by Mr. PRICE to the Carlson amendment: On page 5, line 9, after

the word "period", change the period to a comma and add the following: "Regardless of the provisions of this act or any other law to the contrary, every person who worked or was engaged in business or who had an occupation for the entire year of 1941 and filed an income-tax return for the year 1941, or who can show by affidavit that they were so engaged for the entire year of 1941 but that their gross income was not sufficient to require them to make an income-tax return under the law, shall be totally exempt from all income taxes for each year, beginning with the year 1942 until the end of the calendar year in which this war shall end, in which both of the following conditions did or shall occur:

"A. His gross income from all sources did not or shall not exceed \$1,800.

"B. His gross income did not or shall not exceed his gross income as shown by his 1941 income-tax return or by his affidavit showing the gross amount of his 1941 income plus 20 percent."

Mr. PRICE. Mr. Chairman, this is the same amendment that I offered to the Carlson bill when this bill was before the House a few weeks ago. Since that time I have written to every Member of the House, and specially to those of the Committee on Ways and Means, so I trust that you all are familiar with the provisions of this amendment.

I believe every Member of this House will agree with me that there are thousands of good citizens who would be benefitted by this amendment.

The needs of these people are just as real as yours and mine. They realize that their employers cannot afford to pay the high salaries prevalent in the war industries. Nevertheless, these people have to pay the same prices that those of the war plants are called upon to pay. Their income has not increased but everything they buy has increased at least 25 percent.

From the reception this amendment received the last time I offered it, it would appear that the majority of the Members of this House have no white-collar workers in their district. It also seems to be true that the Members of this House have never had the experience that I have had. Many is the time that I have sat down at the end of the month and tried to figure how I would pay the grocer, the doctor, the landlord, the furniture man, the water bill, light bill, the note on the car and the repair bill, to find that they amounted to about \$165 and my pay check was about \$125. You may say that was just bad management, but if you have never had this experience, naturally you do not know what I am talking about nor can I expect you to have any sympathy for those who today are laboring under the same conditions and are trying to pay wartime prices for everything consumed, on a peacetime salary.

I ask the Members of this House to forget party lines, and, above all, forget the fact that this is an amendment introduced by a new Member. I am not asking you to help me, I am asking that you help thousands in your own district. Can you afford to turn your back on those in your community who are really suffering?

I hope the committee will accept this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Florida.

The question was taken; and the amendment was rejected.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I offer the following perfecting amendment which I send to the desk and ask to have read.

The Clerk read as follows:

Amendment offered by Mr. AUGUST H. ANDRESEN to the Carlson amendment: On page 3, lines 11, 14, and 22, strike out "1941" and insert "1940."

Mr. AUGUST H. ANDRESEN. Mr. Chairman, this is a perfecting amendment, which seeks to carry out the idea proposed in the Carlson plan to eliminate windfalls from war profits. The amendment simply changes 1941 as the normal base tax year, as provided on page 3 of the bill, and makes it 1940. Large expenditures for war preparedness started in this country in the middle of 1940. The entire year of 1941 was one of tremendous war expenditures, and large profits were made. All such incomes should be taxed. What I am seeking to do by this amendment is to eliminate all possible windfalls from war profits, and make them subject to taxation, which only leaves a discharge of tax liability on normal incomes using the year 1940 as the basis. War profit and other excessive incomes should not escape full taxation. I believe that this amendment is one that is desired by a majority of the Members, and I hope it will be adopted.

Mr. Chairman, when I have the floor, I desire to say a few words about the present tax controversy. During my years in the House, I have witnessed the consideration of many tax bills, but I am frank to confess that I have never observed a mess similar to the situation confronting us in connection with the so-called pay-as-you-go proposal. On March 30, when this legislation was last considered, I and a majority of the Members of the House voted against all tax proposals, and the legislation was returned to the committee. I voted against the Ruml-Carlson proposal for the reason that I felt it went too far in discharging tax liability on war-profit incomes for the year 1942. I did not believe then, nor do I believe now, that there should be a forgiveness of taxes for incomes earned in the year 1942 accruing from war profits. The record will show that on March 30 I offered an amendment to discharge from tax liability the first \$5,000 of net taxable income for all individuals, but my proposal did not succeed. I could not support the committee bill because it provided for double taxation.

For the past 30 days members of the Ways and Means Committee have sought without success to reach an agreement on tax legislation. We are still in a mess. The Democratic majority presents a bill which is an improvement over the proposal considered in March. The minority proposes a modified Carlson bill, which seeks to eliminate tax forgive-

ness on windfall earnings from war profits. This bill also contains a provision, somewhat similar to my amendment of March 30, which discharges from tax liability for the year 1942 all net incomes under \$5,000, but it does not adequately deal with excessive incomes over and above normal incomes.

To be frank about it, I do not like either bill. Both bills have many good features, if that can be said for a tax bill. But I believe that a more equitable piece of legislation can be drafted. I recognize that it would be folly to return this bill to the Ways and Means Committee for further consideration. This committee has done its best to reach an agreement, but failed to agree on a satisfactory compromise after 4 months of deliberation. We all know that the Senate will draft a new bill which must come back to the House for consideration before it becomes a law. The Senate cannot consider a revenue bill until action is first taken by the House. If we do not send some kind of tax measure to the Senate this week, there will be no tax bill—and additional revenue must be raised to defray the growing cost of the war.

We would be derelict in our duties if we do not send a tax measure to the Senate at this time. I do not propose to be a party to cause further delay in preventing the Senate from considering tax legislation. Either the Carlson proposal or the committee bill should be sent to the Senate. While I object to some of the features in the Carlson bill, I shall vote to send it or any other proposal to the Senate, with the reservation that when the bill comes back to the House from the Senate, or when the tax conference report is considered by the House, my final vote will be based on the merits of the proposal then considered. I do not want to be misunderstood about my vote on this legislation today. We all know that the Senate will rewrite the bill, and I am hopeful that they will pass a tax bill that I can support when it is returned to the House for final action. My vote, therefore, at this time is to expedite action on tax legislation by the House, and I recommend that my colleagues do likewise, and reserve to themselves the right to vote on the merits of the legislation when the Senate bill or conference report is returned to the House for final action.

In conclusion, let me again urge you to support the amendment which I have offered. It provides that normal incomes for the purpose of the Carlson plan shall be those earned in 1940 instead of those earned in 1941 as provided in the bill, thereby eliminating any possibility for a discharge of tax liability on incomes derived from war profits.

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

The question is on the amendment offered by the gentleman from Minnesota.

The question was taken; and on a division (demanded by Mr. CRAWFORD) there were ayes 87 and noes 93.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. DOUGHTON and Mr. AUGUST H. ANDRESEN to act as tellers.

The Committee again divided; and the tellers reported there were—ayes 186 and noes 158.

So the amendment to the amendment was agreed to.

The CHAIRMAN. The gentleman from California [Mr. VOORHIS] is recognized.

Mr. VOORHIS of California. Mr. Chairman, the gentleman from North Carolina in addressing the House a short time ago said something about a gold brick. He said he believed that the advancement of the idea of current tax payment was a gold brick that had been sold to the American people. I do not share that view. I think there are weighty reasons why it is important for the rank and file of our taxpayers, if possible, to be on a current basis. I do not think it happens to make a great deal of difference with regard to the taxpayers in the higher brackets.

But I do think there is a gold brick connected with this proposition, for in the minds of a lot of people there has been implanted, I am afraid, the idea that if only the Ruml plan is passed providing for the abatement of 1942 tax payments there is going to be that much benefit to all the people of the country from a tax standpoint. That is not true. Mr. Chairman. Indeed, if we are to do our duty as a Congress, it is going to be necessary before this Congress ends for us to pass legislation to increase substantially the tax revenues of this country. Therefore, the bill that we have before us today must, above all things, be considered from the standpoint of over-all tax equity, both now and in the future.

My objection to the amendment which is now before the House is that I believe it fails to do that. The reason I think it fails to do that briefly is this: We know, do we not, that the rates in the higher brackets are now so high, and the amount of additional revenue to be obtained from those higher brackets is, on the whole, so small that the additional revenue we must get if we are to come anywhere near balancing the Nation's accounts has got to come from the middle and lower brackets. But under the Ruml plan the principal advantage from the almost complete forgiveness or abatement that is involved in it will not go to the lower brackets but will go to those in the upper brackets. The principal advantage of the Carlson bill, even as amended, will necessarily go to those taxpayers in the upper brackets. Their abatement will mean many times more to them in terms of income after taxes saved to them than will the abatement for the average taxpayer. Yet that average taxpayer is the one who will have to bear the additional burden of future tax measures in order to make up for this abatement. On the contrary we have two other proposals which if the present amendment is voted down we will have an opportunity to consider; the proposal of the gentleman from Rhode Island [Mr. FORAND] and the gentleman from Virginia [Mr. ROBERTSON] and the committee bill, either of which it seems to me

from the standpoint of the principle of ability-to-pay taxation and as a means of getting taxpayers on a current basis in the case of those taxpayers where it is important to do so, are superior to the proposal which we have to vote on at the present time.

I therefore shall vote against the Carlson amendment. I shall vote against it on the basis of my conception of basic tax equity, because I know that the needs of this Nation will require an additional tax levy; because I know that additional burden will have to fall on the people generally; and because I want to accomplish currency of taxation insofar as it is possible to do so by providing such abatement as is provided in such fashion as to relieve in the major portion those taxpayers upon whom that additional burden will be placed.

The CHAIRMAN. The time of the gentleman from California has expired.

The gentleman from North Carolina [Mr. FOLGER] is recognized.

Mr. FOLGER. Mr. Chairman, I do not know why I am talking. I have not been able to hear anybody who has been up here yet, there is so much noise in the chamber. I reckon it is not important for I do not conceive myself to be able to do more than my colleagues who have preceded me.

In view of the very high regard I have for my colleague the gentleman from Kansas [Mr. CARLSON], I prefer to refer to this proposal as the Ruml plan, having received my best information, I think, and probably the only information I have as to Mr. Ruml from the description of him by the gentleman from Oklahoma [Mr. DISNEY] heretofore made. I have no patience with any of it. I cannot understand why at this time in the year 1943 the proposal should receive serious consideration of Members of Congress, in view of the great debt that is being piled upon this country from year to year of necessity and for war purposes. I cannot understand the idea of a proposal to forgive, if you want to call it, or if you want to say "abate," either \$8,500,000,000 or \$10,000,000,000 taxes for the year 1942. As my colleague from my own State said, you may in a way conceive yourselves to have become current, but what in the name of common sense have you done to the Government of the United States? The people are the Government.

Mr. Chairman, a tax bill was written for the year 1942. There were two votes against the adoption of that bill as brought to the House by the Committee on Ways and Means. Somebody thought to do something later on and came and stood us up, and I reiterate what my colleague from North Carolina [Mr. CLARK] said, undertook to sell this Congress and the people a gold brick in the idea that we could make taxes current by forgiving \$10,000,000,000 that were levied for 1942. It is all a farce. There is nothing to it. I do warn you gentlemen that I am going to preserve this minority report for good and sufficient reasons hereafter. It accomplishes the objective of placing taxpayers on a current pay-as-you-earn basis immediately and not at some distant time, as it forgives or abates

all taxes for 1942, but hereafter, what as to those whose incomes are not from salaries or wages?

How far does it go? It does not touch the man who is in business unless he receives a salary or a wage. It does not touch the corporations of this country.

Let me read you another objective this minority report says is accomplished:

It is simple to understand.

Yes; I understand it and I understood it before blackboards were put up here to teach children what it is thought they ought to know, canceling \$10,000,000,000 of taxes, leaving our Government that much more in the red.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

The gentleman from Wisconsin [Mr. McMURRAY] is recognized for 3 minutes.

(Mr. McMURRAY asked and was given permission to revise and extend his own remarks.)

Mr. McMURRAY. Mr. Chairman, I think about everything has been said on all sides of this tax measure. I do not presume to add anything new or startling, nor do I for a minute think that what I say will affect many votes in this House or perhaps any at all. I knew when I came down here in January, in fact I knew before I came down here in January, that the lowest animal on earth in the opinion of the Members of this House was not a bureaucrat but a college professor. I unfortunately happen to be one of those and I have taught the subjects of government and taxation for a good many years in one of the greatest universities in the United States of America.

There is not any difference of opinion on this bill on the subject of: One, collection at the source. Everybody is for it, every bill provides for it. There is not any real argument here about whether or not taxes should be collected currently. Every bill, every amendment offered here, substantially provides for that. The only difference in the opinion of the members of this committee and this House on this bill, which is not a tax bill but which is a bill to change our method of collecting taxes—the only difference is on the price we pay to get the taxpayers current.

When I used to teach taxes I used to tell my students that there were three general theories of taxation. I might say that this bill that is specifically under consideration, the substitute amendment, the Carlson-Ruml bill, is not a tax bill—it is an appropriation bill—and as theories may be used to justify taxes, these theories ought to be usable in reverse to justify the appropriation which this amendment passes out to the citizens of the United States.

The first theory of taxation is the theory of benefits received. It is that we ought to collect taxes from the citizens on the basis that those citizens receive benefits from the Government. That is usable in certain specific instances, but will not justify the great work that the present Government has to do.

Second, there is the theory of ability to pay. All political parties in America subscribe to this.

Third, there is another theory, not talked about much but used often, which I used to tell my students was the politicians' theory; it is the theory of the most feathers with the least squawking.

Now, let us look at these theories in reverse if we are going to distribute \$10,000,000 to the citizens of the United States of America. Should we distribute that on the basis of benefits to those people?

It is fair to assume, I suppose, that those whose needs are greatest will derive the greatest benefits from a cash donation made by a government to its citizens. Certainly no one will argue that the Carlson-Ruml amendment distributes this appropriation of \$10,000,000,000 on this basis.

Nor can this gift be justified by the advocacy of ability to pay in reverse. Those least able to pay will have the greatest need, yet this amendment distributes this money chiefly to those whose incomes are and have been greatest, and, therefore, to those who need it least. The theory of ability to pay in reverse, like the theory of benefits received will certainly not explain adequately the distribution of \$10,000,000,000 which is provided for in the Carlson-Ruml amendment.

I wonder if we can apply the third theory to this distribution. This politicians' theory of taxation, that is, "the most feathers with the least squawking" also seems inadequate. When this explanation is used it is generally assumed that the feathers are to accrue to the Government. In this instance, however, the proponents of this amendment provide no feathers whatsoever for the Government, in fact this amendment deprives the Government of the United States of \$10,000,000,000 worth of feathers and uses those feathers to line the pockets primarily of the rich. However, there is going to be squawking, there will be plenty of it. These squawks will come from that great mass of American people onto whose shoulders has been put the burden of carrying the cost of this war. If we distribute \$10,000,000,000 primarily to the rich, that \$10,000,000,000 and another \$16,000,000,000, which is needed adequately to finance this war this year, will be laid by the very proponents of this measure upon the great mass of citizens through some form of sales tax or other means cleverly thought up to shift the incidence of taxation.

Mr. Chairman, it is not difficult to see through the minds of the Members of this House who make this proposal. First, they ask us to abrogate the President's authority to limit incomes with the promise that these large incomes will be reduced to reasonable amounts by taxation. Then these same people come along and cancel the taxes which the people with large incomes should pay.

Mr. Chairman, the people of the United States of America are going to squawk and squawk loudly when they discover that the proponents of the Ruml plan have sold them down the river.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired; all time has expired.

The question is on the amendment offered by the gentleman from Kansas.

Mr. FORAND. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. FORAND. Do I understand that this vote is on the Carlson-Ruml plan?

The CHAIRMAN. This vote is on the amendment offered by the gentleman from Kansas [Mr. CARLSON].

Mr. FORAND. And if this amendment is voted down, then I will be in position to offer a substitute?

The CHAIRMAN. If the amendment offered by the gentleman from Kansas is voted down, further amendments will be in order.

Mr. FORAND. Other substitutes will be in order?

The CHAIRMAN. Yes.

Mr. KNUTSON. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. DOUGHTON and Mr. CARLSON.

The Committee divided; and the tellers reported that there were—ayes 197, noes 166.

So the amendment was agreed to.

Mr. DOUGHTON. Mr. Speaker, I move that the Committee do now rise and report the bill back to the House with sundry amendments with the recommendation that the amendments be agreed to and that the bill as amended do pass.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. BULWINKLE, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, had directed him to report the same back to the House with sundry amendments adopted in the Committee of the Whole with the recommendation that the amendments be agreed to and that the bill as amended do pass.

Mr. COOPER. Mr. Speaker, I move the previous question on the bill and amendment to final passage.

The previous question was ordered.

The SPEAKER. The question is on the amendment.

Mr. COOPER. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. COOPER. The vote now about to be taken is on the amendment offered by the gentleman from Kansas [Mr. CARLSON]?

The SPEAKER. That is correct.

Mr. COOPER. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were ordered.

The Clerk called the roll; and there were—yeas 202, nays 206, answered "present" 2, not voting 23, as follows:

[Roll No. 59]

YEAS—202

Allen, Ill.	Goodwin	Morrison, La.
Anderson, Calif.	Graham	Mott
Andresen	Grant, Ind.	Mruk
August H.	Griffiths	Mundt
Andrews	Gross	Murray, Wis.
Angell	Guyner	Norman
Arends	Gwynne	O'Brien, N. Y.
Arnold	Hale	O'Hara
Auchincloss	Hall	O'Leary
Baldwin, N. Y.	Hall, Edwin Arthur	O'Toole
Barrett	Hall, Leonard W.	Phillbin
Barry	Halleck	Phillips
Bates, Ky.	Hancock	Ploeser
Bates, Mass.	Harness, Ind.	Plumley
Beall	Hartley	Powers
Bender	Hébert	Pracht
Bennett, Mich.	Heldinger	Ramey
Bennett, Mo.	Herter	Randolph
Bishop	Hess	Reece, Tenn.
Blackney	Hill	Reed, Ill.
Bolton	Hinshaw	Reed, N. Y.
Boykin	Hoeven	Rees, Kans.
Bradley, Mich.	Hoffman	Rizley
Brehm	Holmes, Mass.	Robison, Ky.
Brown, Ohio	Holmes, Wash.	Rockwell
Buffett	Hope	Rodgers, Pa.
Busbey	Howell	Rogers, Mass.
Butler	Jeffrey	Rohrbough
Canfield	Jenkins	Rolph
Cannon, Fla.	Jennings	Rowe
Carlson, Kans.	Jensen	Schiffner
Carson, Ohio	Johnson	Schwabe
Carter	Anton J. Johnson	Scott
Celler	Calvin D. Johnson	Shaffer
Chenoweth	Johnson, Ind.	Short
Chiperfield	Johnson, Ward	Simpson, Ill.
Church	Jones	Simpson, Pa.
Clason	Jonkman	Smith, Maine
Clevenger	Judd	Smith, Ohio
Cole, Mo.	Kearney	Smith, Wis.
Cole, N. Y.	Keefe	Springer
Compton	Kilburn	Stanley
Cravens	Kinzer	Stearns, N. H.
Cunningham	Knutson	Stefan
Curtis	Lambertson	Stevenson
Day	Landis	Stockman
Dewey	Larcade	Sundstrom
Ditter	LeCompte	Taber
Dondero	LeFevre	Talbot
Douglas	Lewis	Talle
Eaton	McCowan	Taylor
Ellis	McGregor	Tibbott
Ellison, Md.	McKenzie	Towe
Ellsworth	McLean	Treadway
Elston, Ohio	McWilliams	Troutman
Engel	Maas	Van Zandt
Englebright	Martin, Iowa	Vorys, Ohio
Fellows	Martin, Mass.	Vursell
Fenton	Mason	Weichel, Ohio
Fish	Merrow	Welch
Gale	Michener	Wheat
Gallagher	Miller, Conn.	Wigglesworth
Gamble	Miller, Mo.	Willey
Gavin	Miller, Nebr.	Wilson
Gerlach	Miller, Pa.	Winter
Gifford	Monkiewicz	Wolcott
Gilchrist		Wolfenden, Pa.
Gillette		Woodruff, Mich.
Gillie		

NAYS—206

Abernethy	Colmer	Fogarty
Allen, La.	Cooley	Folger
Andersen	Cooper	Forand
H. Carl	Costello	Ford
Anderson, N. Mex.	Courtney	Fulbright
Baldwin, Md.	Cox	Fulmer
Bardeen	Crawford	Gathings
Beckworth	Crosser	Gavagan
Bell	Cullen	Gordon
Bland	Curley	Gore
Bloom	D'Alesandro	Gorski
Bonner	Davis	Gossett
Boren	Dawson	Granger
Bradley, Pa.	Delaney	Grant, Ala.
Brooks	Dickstein	Green
Brown, Ga.	Dilweg	Gregory
Bryson	Dingell	Hare
Buckley	Disney	Harless, Ariz.
Bulwinkle	Domengeaux	Harris, Ark.
Burchill, N. Y.	Doughton	Harris, Va.
Burdick	Drewry	Hart
Burgin	Durham	Hays
Byrne	Eberhart	Heffernan
Camp	Elliott	Hobbs
Cannon, Mo.	Fay	Hoch
Capozzoli	Feighan	Hollifield
Chapman	Fernandez	Horan
Clark	Fisher	Hull
Coffee	Fitzpatrick	Izac
	Flannagan	Jarman

Johnson,	Mills	Scanlon
J. Leroy	Monroney	Schuetz
Johnson,	Morrison, N. C.	Sheppard
Luther A.	Murdock	Sheridan
Johnson,	Murphy	Sikes
Lyndon B.	Murray, Tenn.	Slaughter
Johnson, Okla.	Myers	Smith, Va.
Kee	Newsome	Smith, W. Va.
Kefauver	Nichols	Snyder
Kelley	Norrell	Somers, N. Y.
Kennedy	Norton	Sparkman
Keogh	O'Brien, Ill.	Spence
Kerr	O'Brien, Mich.	Starnes, Ala.
Kilday	O'Connor	Steagall
King	O'Neal	Stewart
Kirwan	Outland	Sullivan
Klein	Pace	Sumner, Ill.
Kunkel	Patman	Sumners, Tex.
LaFollette	Patton	Tarver
Lane	Peterson, Fla.	Thomas, Tex.
Lanham	Peterson, Ga.	Thomason
Lea	Pfeifer	Tolan
Lesinski	Pittenger	Vincent, Ky.
Luce	Poage	Vinson, Ga.
Ludlow	Poulson	Voorhis, Calif.
Lynch	Price	Walter
McCord	Priest	Ward
McCormack	Rabaut	Wasielewski
McGranery	Ramspeck	Weaver
McMillan	Rankin	Weiss
McMurray	Richards	Wene
Madden	Rivers	West
Mahon	Robertson	Whelchel, Ga.
Maloney	Robinson, Utah	Whitten
Manasco	Rowan	Whittington
Mansfield,	Russell	Wickersham
Mont.	Sabath	Winstead
Mansfield, Tex.	Sadowski	Woodrum, Va.
Marcantonio	Sasser	Wright
May	Satterfield	Zimmerman
Merritt	Sauthoff	

ANSWERED "PRESENT"—2

Dworshak Kleberg

NOT VOTING—23

Burch, Va.	Furlong	Magnuson
Case	Gearhart	O'Konski
Cochran	Gibson	Rogers, Calif.
Creal	Hagen	Thomas, N. J.
Culkin	Hendricks	Wadsworth
Dies	Jackson	White
Dirksen	Lemke	Worley
Elmer	McGehee	

So the amendment was rejected.

The Clerk announced the following pairs:

Mr. Wadsworth (for) with Mr. Creal (against).

Mr. Hagen (for) with Mr. Burch (against).

Mr. Elmer (for) with Mr. Lemke (against).

Mr. Thomas of New Jersey (for) with Mr. Dies (against).

Mr. Kleberg (for) with Mr. Worley (against).

Mr. Dirksen (for) with Mr. Dworshak (against).

Mr. Hendricks (for) with Mr. Gibson (against).

General pairs:

Mr. McGehee (for) with Mr. Gearhart (against).

Mr. Cochran (for) with Mr. Case (against).

Mr. Jackson (for) with Mr. O'Konski (against).

Mr. Magnuson (for) with Mr. Culkin (against).

Mr. KLEBERG. Mr. Speaker, I have a pair with the gentleman from Texas [Mr. WORLEY]. I, therefore, desire to change my vote from "yea" to "present."

Mr. DWORSHAK. Mr. Speaker, I have a pair with the gentleman from Illinois [Mr. DIRKSEN]. If present, he would vote "yea." Therefore, I withdraw my vote of "nay" and vote "present."

Mr. HENDRICKS. Mr. Speaker, I have a pair with the gentleman from Georgia [Mr. GIBSON]. If here he would vote "nay," and I would vote "yea." I desire to withdraw my vote of "yea," and be recorded as "present."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. KNUTSON. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. KNUTSON. Yes.

The SPEAKER. The gentleman qualifies. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. KNUTSON moves to recommit the bill, H. R. 2570, to the Committee on Ways and Means with instructions to report same back to the House forthwith with the following amendment: Strike out all after the enacting clause and insert in lieu thereof the following:

"That (a) this act may be cited as the 'Current Tax Payment Act of 1943'.

"(b) Meaning of terms used: Except as otherwise expressly provided, terms used in this act shall have the same meaning as when used in the Internal Revenue Code.

"Sec. 2. Collection of tax at source on wages.

"(a) In general: Part II of Subchapter D of Chapter 1 of the Internal Revenue Code (relating to collection of tax at source on wages) is amended to read as follows:

"Part II—Collection of tax at source on wages.

"Sec. 465. Definitions.

"As used in this part—

"(a) Wages: The term "wages" means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid—

"(1) for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay included in gross income, or

"(2) for agricultural labor (as defined in section 1426 (h)), or

"(3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, or

"(4) for casual labor not in the course of the employer's trade or business, or

"(5) for services by a citizen or resident of the United States for a foreign government or for the government of the Commonwealth of the Philippines, or

"(6) for services performed by a non-resident alien individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals, or

"(7) for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary, or

"(8) for service for an employer performed by a citizen or resident of the United States while outside the United States (as defined in section 3797 (a) (9)) if the major part of the services for such employer during the calendar year is to be performed outside the United States, or

"(9) for services performed as a minister of the gospel.

"For the purpose of paragraph (8) services performed on or in connection with an American vessel (as defined in section 1426 (g)) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in con-

nection with any vessel as an employee of the United States employed through the War Shipping Administration, shall not constitute services performed outside the United States.

"(b) Payroll period: The term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by his employer.

"(c) Employee: The term "employee" includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term "employee" also includes an officer of a corporation.

"(d) Employer: The term "employer" means any person for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the wages paid to an individual are paid by a person other than the person for whom the services are or were performed, the term "employer" (except for the purposes of subsection (a)) means the person paying such wages.

"(e) Single person: The term "single person" means a person with respect to whom a withholding exemption certificate is in effect under section 466 (h) stating that such person is single, or is married and not living with husband or wife, and is not the head of a family.

"(f) Married person: The term "married person" means a person with respect to whom a withholding exemption certificate is in effect under section 466 (h) stating that he is married and living with husband or wife.

"(g) Married person claiming all of personal exemption for withholding: The term "married person claiming all of personal exemption for withholding" means a married person with respect to whom a withholding exemption certificate is in effect under section 466 (h) stating that for the purposes of this part such person claims all of the personal exemption and that for the purposes of this part his spouse is claiming none of the personal exemption.

"(h) Married person claiming half of personal exemption for withholding: The term "married person claiming half of the personal exemption for withholding" means a married person with respect to whom a withholding exemption certificate is in effect under section 466 (h) stating that for the purposes of this part such person claims half of the personal exemption.

"(i) Married person claiming none of personal exemption for withholding: The term "married person claiming none of the personal exemption for withholding" means a married person with respect to whom a withholding exemption certificate is in effect under section 466 (h) making no claim with respect to the personal exemption for the purposes of this part.

"(j) Head of family: The term "head of a family" means a person with respect to whom a withholding exemption certificate is in effect under section 466 (m) stating that he is the head of a family.

"(k) Dependent: The term "dependent" means a person included in a withholding exemption certificate in effect under section 466 (h) as a person dependent upon and receiving his chief support from the employee and either under 18 years of age or incapable of self support because mentally or physically defective.

"Sec. 466. Tax collected at source.

"(a) Requirement of withholding: Every employer making payment of wages to any individual shall withhold and collect upon such wages a tax as follows:

"(1) 17 percent of the excess of each payment of such wages over the withholding exemption allowable under subsection (b) (1) (A), and

"(2) 3 percent of the excess of each payment of such wages over the withholding exemption allowable under subsection (b) (1) (B).

"(b) Withholding exemption:

"(1) In computing the tax required to be withheld under subsection (a), there shall be allowed as an exemption with respect to the wages paid for each pay-roll period—

"(A) in computing the portion thereof required to be withheld under subsection (a) (1), an amount determined in accordance with the following schedule:

"Pay-roll period	Single person					Married person claiming whole of personal exemption for himself or head of family withholding					Married person claiming half of personal exemption for himself or head of family withholding					Married person claiming none of personal exemption for himself or head of family withholding					Each dependent, other than the first dependent in the case of the head of a family				
	At least	But less than	No dependents	One dependent	Two dependents	At least	But less than	No dependents	One dependent	Two dependents	At least	But less than	No dependents	One dependent	Two dependents	At least	But less than	No dependents	One dependent	Two dependents	At least	But less than	No dependents	One dependent	Two dependents
Weekly	\$11	\$15	\$0.30	\$0.20	\$0.20	\$11	\$15	\$0.30	\$0.20	\$0.20	\$11	\$15	\$0.30	\$0.20	\$0.20	\$11	\$15	\$0.30	\$0.20	\$0.20	\$11	\$15	\$0.30	\$0.20	\$0.20
Biweekly	22	25	1.30	1.00	1.00	22	25	1.30	1.00	1.00	22	25	1.30	1.00	1.00	22	25	1.30	1.00	1.00	22	25	1.30	1.00	1.00
Semimonthly	23	25	2.30	1.90	1.90	23	25	2.30	1.90	1.90	23	25	2.30	1.90	1.90	23	25	2.30	1.90	1.90	23	25	2.30	1.90	1.90
Monthly	46	50	4.80	3.40	3.40	46	50	4.80	3.40	3.40	46	50	4.80	3.40	3.40	46	50	4.80	3.40	3.40	46	50	4.80	3.40	3.40
Quarterly	138	150	6.80	5.40	5.40	138	150	6.80	5.40	5.40	138	150	6.80	5.40	5.40	138	150	6.80	5.40	5.40	138	150	6.80	5.40	5.40
Semiannual	276	300	8.80	7.40	7.40	276	300	8.80	7.40	7.40	276	300	8.80	7.40	7.40	276	300	8.80	7.40	7.40	276	300	8.80	7.40	7.40
Annual	552	600	10.80	9.40	9.40	552	600	10.80	9.40	9.40	552	600	10.80	9.40	9.40	552	600	10.80	9.40	9.40	552	600	10.80	9.40	9.40
Daily or miscellaneous (per day of such period)	1.50	3.60	1.80	0	1.10	1.50	3.60	1.80	0	1.10	1.50	3.60	1.80	0	1.10	1.50	3.60	1.80	0	1.10	1.50	3.60	1.80	0	1.10

"(B) In computing the portion thereof required to be withheld under subsection (a) (2), an amount determined in accordance with the following schedule:

Payroll period	Withholding exemption
Weekly	\$12.00
Biweekly	24.00
Semimonthly	26.00
Monthly	52.00
Quarterly	156.00
Semiannual	312.00
Annual	624.00
Daily or miscellaneous (per day of such period)	1.70

"(2) If wages are paid with respect to a period which is not a payroll period, the exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any payroll period or other period, the exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than 1 week, at the election of the employer the excess of the aggregate of the wages paid to the employee during the calendar week over the exemption allowed by this subsection for a weekly payroll period may be used in computing the tax required to be withheld.

"(c) Wage bracket withholding:

"(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be withheld under subsection (a):

"If the pay-roll period with respect to an employee is weekly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15	\$0.30					
15	20	1.30	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	2.30	.90	.30	.30	.30	.30
25	30	3.30	1.90	.50	.50	.50	.50
30	40	4.80	3.40	2.00	.70	.70	.70
40	50	6.80	5.40	4.00	2.70	1.30	1.00
50	60	8.80	7.40	6.00	4.70	3.30	2.00
60	70	10.80	9.40	8.00	6.70	5.30	4.00
70	80	12.80	11.40	10.00	8.70	7.30	6.00
80	90	14.80	13.40	12.00	10.70	9.30	8.00
90	100	16.80	15.40	14.00	12.70	11.30	10.00
100	110	18.80	17.40	16.00	14.70	13.30	12.00
110	120	20.80	19.40	18.00	16.70	15.30	14.00
120	130	22.88	21.40	20.00	18.70	17.30	16.00
130	140	24.80	23.40	22.00	20.70	19.30	18.00
140	150	26.80	25.40	24.00	22.70	21.30	20.00
150	160	28.80	27.40	26.00	24.70	23.30	22.00
160	170	30.80	29.40	28.00	26.70	25.30	24.00
170	180	32.80	31.40	30.00	28.70	27.30	26.00
180	190	34.80	33.40	32.00	30.70	29.30	28.00
190	200	36.80	35.40	34.00	32.70	31.30	30.00
\$200 or over		20% of the excess over \$200 plus					
		\$37.80	\$36.40	\$35.00	\$33.70	\$32.30	\$31.00

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming all of personal exemption for himself or head of family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15	\$0.20					
15	20	1.30	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	2.30	.30	.30	.30	.30	.30
25	30	3.30	.70	.50	.50	.50	.50
30	40	4.80	2.20	.90	.70	.70	.70
40	50	6.80	4.20	2.90	1.50	1.00	1.00
50	60	8.80	6.20	4.90	3.50	2.10	1.30
60	70	10.80	8.20	6.90	5.50	4.10	2.80
70	80	12.80	10.20	8.90	7.50	6.10	4.80
80	90	14.80	12.20	10.90	9.50	8.10	6.80
90	100	16.80	14.20	12.90	11.50	10.10	8.80
100	110	18.80	16.20	14.90	13.50	12.10	10.80
110	120	20.80	18.20	16.90	15.50	14.10	12.80
120	130	22.80	20.20	18.90	17.50	16.10	14.80
130	140	24.80	22.20	20.90	19.50	18.10	16.80
140	150	26.80	24.20	22.90	21.50	20.10	18.80
150	160	28.80	26.20	24.90	23.50	22.10	20.80
160	170	30.80	28.20	26.90	25.50	24.10	22.80
170	180	32.80	30.20	28.90	27.50	26.10	24.80
180	190	34.80	32.20	30.90	29.50	28.10	26.80
190	200	36.80	34.20	32.90	31.50	30.10	28.80
\$200 or over		20% of the excess over \$200 plus					
		\$35.20	\$33.90	\$32.50	\$31.10	\$29.80	\$28.40

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming half of personal exemption for himself or head of family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15	\$0.90					
15	20	2.90	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	3.90	.60	.30	.30	.30	.30
25	30	4.90	1.60	.50	.50	.50	.50
30	40	6.40	3.10	1.70	.70	.70	.70
40	50	8.40	5.10	3.70	2.30	1.00	1.00
50	60	10.40	7.10	5.70	4.30	3.00	1.60
60	70	12.40	9.10	7.70	6.30	5.00	3.60
70	80	14.40	11.10	9.70	8.30	7.00	5.60
80	90	16.40	13.10	11.70	10.30	9.00	7.60
90	100	18.40	15.10	13.70	12.30	11.00	9.60
100	110	20.40	17.10	15.70	14.30	13.00	11.60
110	120	22.40	19.10	17.70	16.30	15.00	13.60
120	130	24.40	21.10	19.70	18.30	17.00	15.60
130	140	26.40	23.10	21.70	20.30	19.00	17.60
140	150	28.40	25.10	23.70	22.30	21.00	19.60
150	160	30.40	27.10	25.70	24.30	23.00	21.60
160	170	32.40	29.10	27.70	26.30	25.00	23.60
170	180	34.40	31.10	29.70	28.30	27.00	25.60
180	190	36.40	33.10	31.70	30.30	29.00	27.60
190	200	38.40	35.10	33.70	32.30	31.00	29.60
\$200 or over		20% of the excess over \$200 plus					
		\$37.40	\$36.10	\$34.70	\$33.30	\$32.00	\$30.60

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	\$0.80					
10	15	2.10	\$0.80				
15	20	3.10	1.80	\$0.40	\$0.20	\$0.20	\$0.20
20	25	4.10	2.80	1.40	.30	.30	.30
25	30	5.10	3.80	2.40	1.10	.50	.50
30	40	6.10	5.30	3.50	2.60	1.20	.70
40	50	8.60	7.30	5.90	4.60	3.20	1.80
50	60	10.60	9.30	7.90	6.60	5.20	3.80
60	70	12.60	11.30	9.90	8.60	7.20	5.80
70	80	14.60	13.30	11.90	10.60	9.20	7.80
80	90	16.60	15.30	13.90	12.60	11.20	9.80
90	110	18.60	17.30	15.90	14.60	13.20	11.80
100	110	20.60	19.30	17.90	16.60	15.20	13.80
110	120	22.60	21.30	19.90	18.60	17.20	15.80
120	130	24.60	23.30	21.90	20.60	19.20	17.80
130	140	26.60	25.30	23.90	22.60	21.20	19.80
140	150	28.60	27.30	25.90	24.60	23.20	21.80
150	160	30.60	29.30	27.90	26.60	25.20	23.80
160	170	32.60	31.30	29.90	28.60	27.20	25.80
170	180	34.60	33.30	31.90	30.60	29.20	27.80
180	190	36.60	35.30	33.90	32.60	31.20	29.80
190	200	38.60	37.30	35.90	34.60	33.20	31.80
\$200 or over--	20% of the excess over \$200 plus						
	\$39.60	\$38.30	\$36.90	\$35.60	\$34.20	\$32.80	

"If the pay-roll period with respect to an employee is weekly

And the wages are		And such person is head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15						
15	20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	.30	.30	.30	.30	.30	.30
25	30	.70	.70	.50	.50	.50	.50
30	40	2.20	2.20	.90	.70	.70	.70
40	50	4.20	4.20	2.90	1.50	1.00	1.00
50	60	6.20	6.20	4.90	3.50	2.10	1.30
60	70	8.20	8.20	6.90	5.50	4.10	2.80
70	80	10.20	10.20	8.90	7.50	6.10	4.80
80	90	12.20	12.20	10.90	9.50	8.10	6.80
90	100	14.20	14.20	12.90	11.50	10.10	8.80
100	110	16.20	16.20	14.90	13.50	12.10	10.80
110	120	18.20	18.20	16.90	15.50	14.10	12.80
120	130	20.20	20.20	18.90	17.50	16.10	14.80
130	140	22.20	22.20	20.90	19.50	18.10	16.80
140	150	24.20	24.20	22.90	21.50	20.10	18.80
150	160	26.20	26.20	24.90	23.50	22.10	20.80
160	170	28.20	28.20	26.90	25.50	24.10	22.80
170	180	30.20	30.20	28.90	27.50	26.10	24.80
180	190	32.20	32.20	30.90	29.50	28.10	26.80
190	200	34.20	34.20	32.90	31.50	30.10	28.80
\$200 or over		20% of the excess over \$200 plus					
		\$35.20	\$35.20	\$33.20	\$32.50	\$31.10	\$29.80

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is biweekly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30	\$0.50					
30	40	2.50	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	4.50	1.80	.60	.60	.60	.60
50	60	6.50	3.80	1.10	.90	.90	.90
60	80	9.50	6.80	4.10	1.40	1.40	1.40
80	100	13.50	10.80	8.10	5.40	2.70	2.00
100	120	17.50	14.80	12.10	9.40	6.70	3.90
120	140	21.50	18.80	16.10	13.40	10.70	7.90
140	160	25.50	22.80	20.10	17.40	14.70	11.90
160	180	29.50	26.80	24.10	21.40	18.70	15.90
180	200	33.50	30.80	28.10	25.40	22.70	19.90
200	220	37.50	34.80	32.10	29.40	26.70	23.90
220	240	41.50	38.80	36.10	33.40	30.70	27.90
240	260	45.50	42.80	40.10	37.40	34.70	31.90
260	280	49.50	46.80	44.10	41.40	38.70	35.90
280	300	53.50	50.80	48.10	45.40	42.70	39.90
300	320	57.50	54.80	52.10	49.40	46.70	43.90
320	340	61.50	58.80	56.10	53.40	50.70	47.90
340	360	65.50	62.80	60.10	57.40	54.70	51.90
360	380	69.50	66.80	64.10	61.40	58.70	55.90
380	400	73.50	70.80	68.10	65.40	62.70	59.90
\$400 or over		20% of the excess over \$400 plus					
		\$75.50	\$72.80	\$70.10	\$67.40	\$64.70	\$61.90

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	1.40	.90	.90	.90	.90	.90
60	80	4.40	1.70	1.40	1.40	1.40	1.40
80	100	8.40	5.70	3.00	2.00	2.00	2.00
100	120	12.40	9.70	7.00	4.30	2.60	2.60
120	140	16.40	13.70	11.00	8.30	5.60	3.20
140	160	20.40	17.70	15.00	12.30	9.60	6.80
160	180	24.40	21.70	19.00	16.30	13.60	10.80
180	200	28.40	25.70	23.00	20.30	17.60	14.80
200	220	32.40	29.70	27.00	24.30	21.60	18.80
220	240	36.40	33.70	31.00	28.30	25.60	22.80
240	260	40.40	37.70	35.00	32.30	29.60	26.80
260	280	44.40	41.70	39.00	36.30	33.60	30.80
280	300	48.40	45.70	43.00	40.30	37.60	34.80
300	320	52.40	49.70	47.00	44.30	41.60	38.80
320	340	56.40	53.70	51.00	48.30	45.60	42.80
340	360	60.40	57.70	55.00	52.30	49.60	46.80
360	380	64.40	61.70	59.00	56.30	53.60	50.80
380	400	68.40	65.70	63.00	60.30	57.60	54.80
\$400 or over		20% of the excess over \$400 plus					
		\$70.40	\$67.70	\$65.00	\$62.30	\$59.60	\$56.80

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$1.90	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	3.90	1.10	.60	.60	.60	.60
50	60	5.90	3.10	.90	.90	.90	.90
60	80	8.90	6.10	3.40	1.40	1.40	1.40
80	100	12.90	10.10	7.40	4.70	2.00	2.00
100	120	16.90	14.10	11.40	8.70	6.00	3.30
120	140	20.90	18.10	15.40	12.70	10.00	7.30
140	160	24.90	22.10	19.40	16.70	14.00	11.30
160	180	28.90	26.10	23.40	20.70	18.00	15.30
180	200	32.90	30.10	27.40	24.70	22.00	19.30
200	220	36.90	34.10	31.40	28.70	26.00	23.30
220	240	40.90	38.10	35.40	32.70	30.00	27.30
240	260	44.90	42.10	39.40	36.70	34.00	31.30
260	280	48.90	46.10	43.40	40.70	38.00	35.30
280	300	52.90	50.10	47.40	44.70	42.00	39.30
300	320	56.90	54.10	51.40	48.70	46.00	43.30
320	340	60.90	58.10	55.40	52.70	50.00	47.30
340	360	64.90	62.10	59.40	56.70	54.00	51.30
360	380	68.90	66.10	63.40	60.70	58.00	55.30
380	400	72.90	70.10	67.40	64.70	62.00	59.30
\$400 or over		20% of the excess over \$400 plus					
		\$74.90	\$72.10	\$69.40	\$66.70	\$64.00	\$61.30

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30	\$1.70	\$1.60				
30	40	6.30	3.60	\$0.80	\$0.30	\$0.30	\$0.30
40	50	8.30	5.60	2.80	.60	.60	.60
50	60	10.30	7.60	4.80	2.10	.90	.90
60	80	13.30	10.60	7.80	5.10	2.40	1.40
80	100	17.30	14.60	11.80	9.10	6.40	3.70
100	120	21.30	18.60	15.80	13.10	10.40	7.70
120	140	25.30	22.60	19.80	17.10	14.40	11.70
140	160	29.30	26.60	23.80	21.10	18.40	15.70
160	180	33.30	30.60	27.80	25.10	22.40	19.70
180	200	37.30	34.60	31.80	29.10	26.40	23.70
200	220	41.30	38.60	35.80	33.10	30.40	27.70
220	240	45.30	42.60	39.80	37.10	34.40	31.70
240	260	49.30	46.60	43.80	41.10	38.40	35.70
260	280	53.30	50.60	47.80	45.10	42.40	39.70
280	300	57.30	54.60	51.80	49.10	46.40	43.70
300	320	61.30	58.60	55.80	53.10	50.40	47.70
320	340	65.30	62.60	59.80	57.10	54.40	51.70
340	360	69.30	66.60	63.80	61.10	58.40	55.70
360	380	73.30	70.60	67.80	65.10	62.40	59.70
380	400	77.30	74.60	71.80	69.10	66.40	63.70
\$400 or over		20% of the excess over \$200 plus					
		\$79.30	\$76.60	\$73.80	\$71.10	\$68.40	\$65.70

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is biweekly

And the wages are		And such person is head of a family and has					
At least	But less than	No dependents	One dependents	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be					
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	1.40	1.40	.90	.90	.90	.90
60	80	4.40	4.40	1.70	1.40	1.40	1.40
80	100	8.40	8.40	5.70	3.00	2.00	2.00
100	120	12.40	12.40	9.70	7.00	4.30	2.60
120	140	16.40	16.40	13.70	11.00	8.30	5.60
140	160	20.40	20.40	17.70	15.00	12.30	9.60
160	180	24.40	24.40	21.70	19.00	16.30	13.60
180	200	28.40	28.40	25.70	23.00	20.30	17.60
200	220	32.40	32.40	29.70	27.00	24.30	21.60
220	240	36.40	36.40	33.70	31.00	28.30	25.60
240	260	40.40	40.40	37.70	35.00	32.30	29.60
260	280	44.40	44.40	41.70	39.00	36.30	33.60
280	300	48.40	48.40	45.70	43.00	40.30	37.60
300	320	52.40	52.40	49.70	47.00	44.30	41.60
320	340	56.40	56.40	53.70	51.00	48.30	45.60
340	360	60.40	60.40	57.70	55.00	52.30	49.60
360	380	64.40	64.40	61.70	59.00	56.30	53.60
380	400	68.40	68.40	65.70	63.00	60.30	57.60
\$400 or over		20% of the excess over \$400 plus					
		\$70.40	\$70.40	\$67.70	\$65.00	\$62.30	\$59.60

"If the pay-roll period with respect to an employee is semimonthly"

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30	\$0.30					
30	40	2.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	4.30	1.40	.60	.60	.60	.60
50	60	6.30	3.40	.90	.90	.90	.90
60	80	8.30	5.40	1.30	1.30	1.30	1.30
80	100	13.30	10.40	2.30	2.30	2.30	2.30
100	120	17.30	14.40	3.30	3.30	3.30	3.30
120	140	21.30	18.40	4.30	4.30	4.30	4.30
140	160	25.30	22.40	5.30	5.30	5.30	5.30
160	180	29.30	26.40	6.30	6.30	6.30	6.30
180	200	33.30	30.40	7.30	7.30	7.30	7.30
200	220	37.30	34.40	8.30	8.30	8.30	8.30
220	240	41.30	38.40	9.30	9.30	9.30	9.30
240	260	45.30	42.40	10.30	10.30	10.30	10.30
260	280	49.30	46.40	11.30	11.30	11.30	11.30
280	300	53.30	50.40	12.30	12.30	12.30	12.30
300	320	57.30	54.40	13.30	13.30	13.30	13.30
320	340	61.30	58.40	14.30	14.30	14.30	14.30
340	360	65.30	62.40	15.30	15.30	15.30	15.30
360	380	69.30	66.40	16.30	16.30	16.30	16.30
380	400	73.30	70.40	17.30	17.30	17.30	17.30
\$400 or over		20% of the excess over \$400 plus					
		\$75.30	\$72.40	\$69.50	\$66.60	\$63.70	\$60.90

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is semimonthly"

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30	\$0.30					
30	40	2.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	4.30	1.40	.60	.60	.60	.60
50	60	6.30	3.40	.90	.90	.90	.90
60	80	8.30	5.40	1.30	1.30	1.30	1.30
80	100	13.30	10.40	2.30	2.30	2.30	2.30
100	120	17.30	14.40	3.30	3.30	3.30	3.30
120	140	21.30	18.40	4.30	4.30	4.30	4.30
140	160	25.30	22.40	5.30	5.30	5.30	5.30
160	180	29.30	26.40	6.30	6.30	6.30	6.30
180	200	33.30	30.40	7.30	7.30	7.30	7.30
200	220	37.30	34.40	8.30	8.30	8.30	8.30
220	240	41.30	38.40	9.30	9.30	9.30	9.30
240	260	45.30	42.40	10.30	10.30	10.30	10.30
260	280	49.30	46.40	11.30	11.30	11.30	11.30
280	300	53.30	50.40	12.30	12.30	12.30	12.30
300	320	57.30	54.40	13.30	13.30	13.30	13.30
320	340	61.30	58.40	14.30	14.30	14.30	14.30
340	360	65.30	62.40	15.30	15.30	15.30	15.30
360	380	69.30	66.40	16.30	16.30	16.30	16.30
380	400	73.30	70.40	17.30	17.30	17.30	17.30
\$400 or over		20% of the excess over \$400 plus					
		\$69.90	\$67.00	\$64.10	\$61.20	\$58.30	\$55.40

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is semimonthly"

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$1.50	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	3.50	.60	.60	.60	.60	.60
50	60	5.50	2.60	.90	.90	.90	.90
60	80	8.50	5.60	2.80	1.30	1.30	1.30
80	100	12.50	9.60	6.80	3.90	1.90	1.90
100	120	16.50	13.60	10.80	7.90	5.00	2.50
120	140	20.50	17.60	14.80	11.90	9.00	6.10
140	160	24.50	21.60	18.80	15.90	13.00	10.10
160	180	28.50	25.60	22.80	19.90	17.00	14.10
180	200	32.50	29.60	26.80	23.90	21.00	18.10
200	220	36.50	33.60	30.80	27.90	25.00	22.10
220	240	40.50	37.60	34.80	31.90	29.00	26.10
240	260	44.50	41.60	38.80	35.90	33.00	30.10
260	280	48.50	45.60	42.80	39.90	37.00	34.10
280	300	52.50	49.60	46.80	43.90	41.00	38.10
300	320	56.50	53.60	50.80	47.90	45.00	42.10
320	340	60.50	57.60	54.80	51.90	49.00	46.10
340	360	64.50	61.60	58.80	55.90	53.00	50.10
360	380	68.50	65.60	62.80	59.90	57.00	54.10
380	400	72.50	69.60	66.80	63.90	61.00	58.10
\$400 or over		20% of the excess over \$400 plus					
		\$74.50	\$71.60	\$68.80	\$65.90	\$63.00	\$60.10

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is semimonthly"

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30	\$1.70					
30	40	4.20	\$1.40				
40	50	6.20	3.30	\$0.40	\$0.30	\$0.30	\$0.30
50	60	8.20	5.30	2.40	.60	.60	.60
60	80	10.20	7.30	4.40	1.50	.90	.90
80	100	13.20	10.30	7.40	4.50	1.70	1.30
100	120	17.20	14.30	11.40	8.50	5.70	2.80
120	140	21.20	18.30	15.40	12.50	9.70	6.80
140	160	25.20	22.30	19.40	16.50	13.70	10.80
160	180	29.20	26.30	23.40	20.50	17.70	14.80
180	200	33.20	30.30	27.40	24.50	21.70	18.80
200	220	37.20	34.30	31.40	28.50	25.70	22.80
220	240	41.20	38.30	35.40	32.50	29.70	26.80
240	260	45.20	42.30	39.40	36.50	33.70	30.80
260	280	49.20	46.30	43.40	40.50	37.70	34.80
280	300	53.20	50.30	47.40	44.50	41.70	38.80
300	320	57.20	54.30	51.40	48.50	45.70	42.80
320	340	61.20	58.30	55.40	52.50	49.70	46.80
340	360	65.20	62.30	59.40	56.50	53.70	50.80
360	380	69.20	66.30	63.40	60.50	57.70	54.80
380	400	73.20	70.30	67.40	64.50	61.70	58.80
\$400 or over		20% of the excess over \$400 plus					
		\$79.20	\$76.30	\$73.40	\$70.50	\$67.60	\$64.80

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is monthly"

And the wages are		And such person is a head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	.90	.90	.90	.90	.90	.90
60	80	3.90	3.90	1.30	1.30	1.30	1.30
80	100	7.90	7.90	5.00	2.10	1.90	1.90
100	120	11.90	11.90	9.00	6.10	3.20	2.50
120	140	15.90	15.90	13.00	10.10	7.20	4.30
140	160	19.90	19.90	17.00	14.10	11.20	8.30
160	180	23.90	23.90	21.00	18.10	15.20	12.30
180	200	27.90	27.90	25.00	22.10	19.20	16.30
200	220	31.90	31.90	29.00	26.10	23.20	20.30
220	240	35.90	35.90	33.00	30.10	27.20	24.30
240	260	39.90	39.90	37.00	34.10	31.20	28.30
260	280	43.90	43.90	41.00	38.10	35.20	32.30
280	300	47.90	47.90	45.00	42.10	39.20	36.30
300	320	51.90	51.90	49.00	46.10	43.20	40.30
320	340	55.90	55.90	53.00	50.10	47.20	44.30
340	360	59.90	59.90	57.00	54.10	51.20	48.30
360	380	63.90	63.90	61.00	58.10	55.20	52.30
380	400	67.90	67.90	65.00	62.10	59.20	56.30
\$400 or over		20% of the excess over \$400 plus					
		\$69.90	\$69.90	\$67.00	\$64.10	\$61.20	\$58.30

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is monthly"

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$1.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0

"If the pay-roll period with respect to an employee is monthly"

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	.40	.40	.40	.40	.40	.40
70	80	.70	.70	.70	.70	.70	.70
80	100	1.10	1.10	1.10	1.10	1.10	1.10
100	120	1.70	1.70	1.70	1.70	1.70	1.70
120	140	2.30	2.30	2.30	2.30	2.30	2.30
140	160	2.90	2.90	2.90	2.90	2.90	2.90
160	200	3.80	3.80	3.80	3.80	3.80	3.80
200	240	5.00	5.00	5.00	5.00	5.00	5.00
240	280	6.20	6.20	6.20	6.20	6.20	6.20
280	320	7.40	7.40	7.40	7.40	7.40	7.40
320	360	8.60	8.60	8.60	8.60	8.60	8.60
360	400	9.80	9.80	9.80	9.80	9.80	9.80
400	440	11.00	11.00	11.00	11.00	11.00	11.00
440	480	12.20	12.20	12.20	12.20	12.20	12.20
480	520	13.40	13.40	13.40	13.40	13.40	13.40
520	560	14.60	14.60	14.60	14.60	14.60	14.60
560	600	15.80	15.80	15.80	15.80	15.80	15.80
600	640	17.00	17.00	17.00	17.00	17.00	17.00
640	680	18.20	18.20	18.20	18.20	18.20	18.20
680	720	19.40	19.40	19.40	19.40	19.40	19.40
720	760	20.60	20.60	20.60	20.60	20.60	20.60
760	800	21.80	21.80	21.80	21.80	21.80	21.80
\$800 or over		20% of the excess over \$800 plus					
		\$139.70	\$134.00	\$128.20	\$122.40	\$116.60	\$110.80

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is monthly"

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	.20	.40	.40	.40	.40	.40
70	80	.40	.70	.70	.70	.70	.70
80	100	1.30	1.10	1.10	1.10	1.10	1.10
100	120	1.10	1.70	1.70	1.70	1.70	1.70
120	140	1.50	2.30	2.30	2.30	2.30	2.30
140	160	1.90	2.90	2.90	2.90	2.90	2.90
160	200	2.50	3.50	3.50	3.50	3.50	3.50
200	240	3.10	4.10	4.10	4.10	4.10	4.10
240	280	3.70	4.70	4.70	4.70	4.70	4.70
280	320	4.30	5.30	5.30	5.30	5.30	5.30
320	360	4.90	5.90	5.90	5.90	5.90	5.90
360	400	5.50	6.50	6.50	6.50	6.50	6.50
400	440	6.10	7.10	7.10	7.10	7.10	7.10
440	480	6.70	7.70	7.70	7.70	7.70	7.70
480	520	7.30	8.30	8.30	8.30	8.30	8.30
520	560	7.90	8.90	8.90	8.90	8.90	8.90
560	600	8.50	9.50	9.50	9.50	9.50	9.50
600	640	9.10	10.10	10.10	10.10	10.10	10.10
640	680	9.70	10.70	10.70	10.70	10.70	10.70
680	720	10.30	11.30	11.30	11.30	11.30	11.30
720	760	10.90	11.90	11.90	11.90	11.90	11.90
760	800	11.50	12.50	12.50	12.50	12.50	12.50
\$800 or over		20% of the excess over \$800 plus					
		\$149.10	\$143.30	\$137.50	\$131.70	\$126.00	\$120.20

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is monthly"

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50	\$3.40	\$1.90				
50	60	7.60	3.70	\$0.10	\$0.10	\$0.10	\$0.10
60	70	11.40	5.70	.40	.40	.40	.40
70	80	13.40	7.70	1.90	.70	.70	.70
80	100	16.40	10.70	4.90	1.10	1.10	1.10
100	120	20.40	14.70	8.90	3.10	1.70	1.70
120	140	24.40	18.70	12.90	7.10	2.30	2.30
140	160	28.40	22.70	16.90	11.10	5.30	2.90
160	200	34.40	28.70	22.90	17.10	11.30	5.50
200	240	42.40	36.70	30.90	25.10	19.30	13.50
240	280	50.40	44.70	38.90	33.10	27.30	21.50
280	320	58.40	52.70	46.90	41.10	35.30	29.50
320	360	66.40	60.70	54.90	49.10	43.30	37.50
360	400	74.40	68.70	62.90	57.10	51.30	45.50
400	440	82.40	76.70	70.90	65.10	59.30	53.50
440	480	90.40	84.70	78.90	73.10	67.30	61.50
480	520	98.40	92.70	86.90	81.10	75.30	69.50
520	560	106.40	100.70	94.90	89.10	83.30	77.50
560	600	114.40	108.70	102.90	97.10	91.30	85.50
600	640	122.40	116.70	110.90	105.10	99.30	93.50
640	680	130.40	124.70	118.90	113.10	107.30	101.50
680	720	138.40	132.70	126.90	121.10	115.30	109.50
720	760	146.40	140.70	134.90	129.10	123.30	117.50
760	800	154.40	148.70	142.90	137.10	131.30	125.50
\$800 or over		20% of the excess over \$800 plus					
		\$158.40	\$152.70	\$146.90	\$141.10	\$135.30	\$129.50

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is monthly"

And the wages are		And such person is head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	.40	.40	.40	.40	.40	.40
70	80	.70	.70	.70	.70	.70	.70
80	100	1.10	1.10	1.10	1.10	1.10	1.10
100	120	1.70	1.70	1.70	1.70	1.70	1.70
120	140	2.30	2.30	2.30	2.30	2.30	2.30
140	160	2.90	2.90	2.90	2.90	2.90	2.90
160	200	3.80	3.80	3.80	3.80	3.80	3.80
200	240	5.00	5.00	5.00	5.00	5.00	5.00
240	280	6.20	6.20	6.20	6.20	6.20	6.20
280	320	7.40	7.40	7.40	7.40	7.40	7.40
320	360	8.60	8.60	8.60	8.60	8.60	8.60
360	400	9.80	9.80	9.80	9.80	9.80	9.80
400	440	11.00	11.00	11.00	11.00	11.00	11.00
440	480	12.20	12.20	12.20	12.20	12.20	12.20
480	520	13.40	13.40	13.40	13.40	13.40	13.40
520	560	14.60	14.60	14.60	14.60	14.60	14.60
560	600	15.80	15.80	15.80	15.80	15.80	15.80
600	640	17.00	17.00	17.00	17.00	17.00	17.00
640	680	18.20	18.20	18.20	18.20	18.20	18.20
680	720	19.40	19.40	19.40	19.40	19.40	19.40
720	760	20.60	20.60	20.60	20.60	20.60	20.60
760	800	21.80	21.80	21.80	21.80	21.80	21.80
\$800 or over		20% of the excess over \$800 plus					
		\$139.70	\$139.70	\$134.00	\$128.20	\$122.40	\$116.60

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

"If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period"

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1						
1	2						
2	3	\$0.20					
3	4	.40	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.60	.40	.20	.10	.10	.10
5	6	.80	.60	.40	.25	.10	.10
6	7	1.00	.80	.60	.45	.25	.15
7	8	1.20	1.00	.80	.65	.45	.25
8	9	1.40	1.20	1.00	.85	.65	.45
9	10	1.60	1.40	1.20	1.05	.85	.65
10	12	1.90	1.70	1.50	1.35	1.15	.95
12	14	2.30	2.10	1.90	1.75	1.55	1.35
14	16	2.70	2.50	2.30	2.15	1.95	1.75
16	18	3.10	2.90	2.70	2.55	2.35	2.15
18	20	3.50	3.30	3.10	2.95	2.75	2.55
20	22	3.90	3.70	3.50	3.35	3.15	2.95
22	24	4.30	4.10	3.90	3.75	3.55	3.35
24	26	4.70	4.50	4.30	4.15	3.95	3.75
26	28	5.10	4.90	4.70	4.55	4.35	4.15
28	30	5.50	5.30	5.10	4.95	4.75	4.55
\$30 and over		20% of excess over \$30 plus					
		\$5.70	\$5.50	\$5.30	\$5.15	\$4.95	\$4.75

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for

"If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period"

And the wages divided by the number of days in such period are		And such person is a married person claiming half of personal exemption for withholding and has					
		No de-pend-ents	One de-pend-ent	Two de-pend-ents	Three de-pend-ents	Four de-pend-ents	Five de-pend-ents
At least	But less than	The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	\$0.15	-----	-----	-----	-----	-----
3	4	.35	\$0.15	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.55	.35	.15	.10	.10	.10
5	6	.75	.55	.35	.20	.10	.10
6	7	.95	.75	.55	.40	.20	.15
7	8	1.15	.95	.75	.60	.40	.20
8	9	1.35	1.15	.95	.80	.60	.40
9	10	1.55	1.35	1.15	1.00	.80	.60
10	12	1.85	1.65	1.45	1.30	1.10	.90
12	14	2.25	2.05	1.85	1.70	1.50	1.30
14	16	2.65	2.45	2.25	2.10	1.90	1.70
16	18	3.05	2.85	2.65	2.50	2.30	2.10
18	20	3.45	3.25	3.05	2.90	2.70	2.50
20	22	3.85	3.65	3.45	3.30	3.10	2.90
22	24	4.25	4.05	3.85	3.70	3.50	3.30
24	26	4.65	4.45	4.25	4.10	3.90	3.70
26	28	5.05	4.85	4.65	4.50	4.30	4.10
28	30	5.45	5.25	5.05	4.90	4.70	4.50
\$30 and over		20% of excess over \$30 plus					
		\$5.65	\$5.45	\$5.25	\$5.10	\$4.90	\$4.70

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

"If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period"

And the wages divided by the number of days in such period are		And such person is a married person claiming none of personal exemption for withholding and has					
		No de-pend-ents	One de-pend-ent	Two de-pend-ents	Three de-pend-ents	Four de-pend-ents	Five de-pend-ents
At least	But less than	The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	\$0.10	\$0.05	-----	-----	-----	-----
1	2	.25	.05	-----	-----	-----	-----
2	3	.45	.25	\$0.05	\$0.05	\$0.05	\$0.05
3	4	.65	.45	.25	\$0.05	\$0.05	\$0.05
4	5	.85	.65	.45	.30	.10	.10
5	6	1.05	.85	.65	.50	.30	.10
6	7	1.25	1.05	.85	.70	.50	.30
7	8	1.45	1.25	1.05	.90	.70	.50
8	9	1.65	1.45	1.25	1.10	.90	.70
9	10	1.85	1.65	1.45	1.30	1.10	.90
10	12	2.15	1.95	1.75	1.60	1.40	1.20
12	14	2.55	2.35	2.15	2.00	1.80	1.60
14	16	2.95	2.75	2.55	2.40	2.20	2.00
16	18	3.35	3.15	2.95	2.80	2.60	2.40
18	20	3.75	3.55	3.35	3.20	3.00	2.80
20	22	4.15	3.95	3.75	3.60	3.40	3.20
22	24	4.55	4.35	4.15	4.00	3.80	3.60
24	26	4.95	4.75	4.55	4.40	4.20	4.00
26	28	5.35	5.15	4.95	4.80	4.60	4.40
28	30	5.75	5.55	5.35	5.20	5.00	4.80
\$30 and over		20% of excess over \$30 plus					
		\$5.95	\$5.75	\$5.55	\$5.40	\$5.20	\$5.00

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

"If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period"

And the wages divided by the number of days in such period are		And such person is head of a family and has					
		No de-pend-ents	One de-pend-ent	Two de-pend-ents	Three de-pend-ents	Four de-pend-ents	Five de-pend-ents
At least	But less than	The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	-----	-----	-----	-----	-----	-----
3	4	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.25	.25	.10	.10	.10	.10
5	6	.45	.45	.25	.10	.10	.10
6	7	.65	.65	.45	.25	.15	.15
7	8	.85	.85	.65	.45	.30	.15
8	9	1.05	1.05	.85	.65	.50	.30
9	10	1.25	1.25	1.05	.85	.70	.50
10	12	1.55	1.55	1.35	1.15	1.00	.80
12	14	1.95	1.95	1.75	1.55	1.40	1.20
14	16	2.35	2.35	2.15	1.95	1.80	1.60
16	18	2.75	2.75	2.55	2.35	2.20	2.00
18	20	3.15	3.15	2.95	2.75	2.60	2.40
20	22	3.55	3.55	3.35	3.15	3.00	2.80
22	24	3.95	3.95	3.75	3.55	3.40	3.20
24	26	4.35	4.35	4.15	3.95	3.80	3.60
26	28	4.75	4.75	4.55	4.35	4.20	4.00
28	30	5.15	5.15	4.95	4.75	4.60	4.40
\$30 and over		20% of excess over \$30 plus					
		\$5.35	\$5.35	\$5.15	\$4.95	\$4.80	\$4.60

"If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

"(2) If wages are paid with respect to a period which is not a payroll period, the amount to be withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any payroll period or other period, the amount to be withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than one week, at the election of the employer the amount to be withheld shall be determined under the tables applicable in the case of a weekly payroll period, and for such purpose the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

"(d) Tax paid by recipient: If all of the taxes against which the tax required to be withheld and collected under this part may be credited have been paid, the tax so required to be withheld, collected, and paid by the employer shall not be collected from the employee; but payment of such taxes shall in no case relieve the employer from liability for additions to the tax otherwise applicable in respect of the tax imposed by this chapter.

"(e) Credit for tax withheld at source: The tax withheld and deducted under this part shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income;

but the amount withheld and deducted as tax under this part during any calendar year upon the wages of any individual shall be allowed as a credit to the recipient of the income against the tax imposed by sections 11 and 12, or section 400, as the case may be, and section 450 (adjusted for the credit allowed by section 453) for taxable years beginning in such calendar year.

"(f) Refunds. Where there has been an overpayment of tax under this part, any refund or credit made under section 322 shall be made to the employer to the extent that the amount of such overpayment was not withheld and collected under this part by the employer.

"(g) Included and excluded wages: If the remuneration paid by an employer to an employee for services performed during one-half or more of any payroll period of not more than 31 consecutive days constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than one-half of any such payroll period does not constitute wages, then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

"(h) Withholding exemption certificates: Every employee receiving wages (as defined in section 465) shall furnish his employer a signed withholding exemption certificate relating to his status for the purpose of computing the withholding exemption, or if the employer exercises his election under section 466 (b) (relating to wage bracket withholding), for the purpose of computing the amount to be withheld under such subsection. In case such a certificate is required because of a change of status, it shall be furnished not later than 10 days after such change occurs. The certificate shall be in such form and contain such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe. Such certificate—

"(1) If furnished after the date of commencement of employment with the employer, shall take effect as of the beginning of the last payroll period beginning prior to, or with respect to the first payment of wages without regard to a payroll period made after, the expiration of 30 days after the date on which such certificate is furnished to the employer, except that at the election of the employer such certificate may be made effective as of the beginning of any previous payroll period ending, or with respect to any previous payment of wages without regard to a payroll period made, on or after the date of the furnishing of such certificate.

"(2) If furnished on the date of commencement of employment shall take effect as of the beginning of the first payroll period ending, or the first payment of wages made without regard to a payroll period, on or after the date on which such certificate is furnished to the employer.

"A certificate which takes effect under this subsection shall continue in effect with respect to the employer until another such certificate furnished by the employee takes effect under this subsection. If no certificate is in effect under this subsection with respect to an employee, such employee shall be treated, for the purposes of the withholding exemption, or in case the employer exercises his election under section 466 (c) (relating to wage bracket withholding), for the purpose of computing the amount to be withheld under such subsection, as a married person claiming none of the personal exemption for withholding.

"(i) Overlapping pay periods, and so forth: If a payment of wages is made to an employee by an employer—

"(1) with respect to a payroll period or other period, any part of which is included in a payroll period or other period with

respect to which wages are also paid to such employee by such employer, or

"(2) without regard to any payroll period or other period, but on or prior to the expiration of a payroll period or other period with respect to which wages are also paid to such employee by such employer, or

"(3) with respect to a period beginning in one and ending in another calendar year,

"the manner of withholding and the amount to be withheld under this subchapter shall be determined under regulations prescribed by the Commissioner with the approval of the Secretary.

"Sec. 467. Liability for tax, and adjustments.

"(a) Employer liable for tax: The employer shall be liable for the payment of the tax required to be withheld and collected under this part, and shall not be liable to any person for the amount of any such payment.

"(b) Adjustments: If more or less than the correct amount of tax is withheld or paid for any quarter in any calendar year, proper adjustments, with respect both to the tax withheld or the tax paid, may be made in any subsequent quarter of such calendar year, without interest, in such manner and at such times as may be prescribed by regulations made by the Commissioner, with the approval of the Secretary.

"Sec. 468. Return and payment by employer.

"In lieu of the time prescribed in sections 53 and 56 for the return and payment of the tax imposed by this chapter, every employer shall make a return and pay the tax required to be withheld and collected under this part on or before the last day of the month following the close of each quarter of each calendar year. Such return shall contain or be verified by a written declaration that it is made under the penalties of perjury. The employer shall include with the final return for the calendar year a duplicate copy of each receipt required to be furnished under section 469. The employer shall also keep such records and render under oath such statements with respect to the tax so withheld and collected as may be required under regulations prescribed by the Commissioner, with the approval of the Secretary. If the employer is the United States, or a State, Territory, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return required in respect of the amount withheld and collected upon any wages may be made by any officer or employee of the United States, or of such State, Territory, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose. A deficiency may be determined on the basis of the amounts required to be withheld and collected during a calendar year, and in such case the amount of the tax shown on the return shall be held and considered to be the aggregate of the amounts of tax shown on the quarterly returns, the tax imposed under this part shall be held and considered to be the aggregate of the taxes imposed for each quarter of the calendar year, the date prescribed for the payment of the tax shall be held and considered to be the date prescribed for the making of the last quarterly return, and for the purpose of ascertaining the return on the basis of which such deficiency is determined, the quarterly returns shall be held and considered to be one return required to be made on the date prescribed for the making of the last quarterly return.

"Sec. 469. Receipts.

"(a) Wages: Every employer required to withhold and collect a tax in respect of the wages of an employee shall furnish to each such employee in respect of his employment during the calendar year, on or before January

31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of wages is made, a written statement showing the wages paid by the employer to such employee during such calendar year, and the amount of the tax withheld and collected under this part in respect of such wages.

"(b) Statements to constitute information returns: The statements required to be furnished by this section in respect of any wages shall be in lieu of the return required to be furnished by the employer in respect of such wages under section 147 and shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe.

"(c) Extension of time: The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the statements required to be furnished to employees on the day on which the last payment of wages is made.

"Sec. 470. Penalties.

"(a) Penalties for fraudulent receipt or failure to furnish receipt: In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 469 to furnish a receipt in respect of tax withheld pursuant to this part who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 469, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof, be fined not more than \$1,000, or imprisoned for not more than 1 year, or both.

"(b) Additional penalty: In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 469 to furnish a receipt in respect of tax withheld pursuant to this part who willfully furnishes a false or fraudulent receipt or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 469, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of not more than \$50.

"(c) Failure of employer to file return or pay tax: In case of any failure to make and file return or pay the tax required by this part, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not due to willful neglect, the addition to the tax provided for in section 291 shall not be less than \$10.

"(d) Penalties in respect of withholding exemption certificates: Any individual required to supply information to his employer under section 466 (h) who willfully supplies false or fraudulent information, or who willfully fails to supply information thereunder which would decrease the withholding exemption, shall, in lieu of the penalty provided in section 145 (a), upon conviction thereof, be fined not more than \$500, or imprisoned for not more than 1 year, or both.

"(b) Technical amendment: The heading of subchapter D of chapter 1 of the Internal Revenue Code is amended by inserting at the end thereof the following: 'And collection of tax at source on wages.'

"(c) Expiration date for withholding at source on wages repealed: Section 476 of the Internal Revenue Code (prescribing the expiration date for the taxes imposed by subchapter D) is amended by inserting before 'this subchapter' the following: 'Part I of.'

"(d) Effective date: The amendments made by subsections (a), (b), and (c) shall take effect July 1, 1943, and shall be applicable to all wages paid on or after such date.

"Sec. 3. Refunds.

"(a) Excessive withholding. Section 322 (a) (2) of the Internal Revenue Code (relating to excessive withholding) is amended to read as follows:

"(2) Excessive withholding: Where the amount of the tax withheld at the source under part II of subchapter D exceeds the taxes imposed by this chapter (after allowance of the credits provided by sections 31, 32, and 453) against which the tax so withheld may be credited under section 466 (e), the amount of such excess shall be credited against any income tax or installment thereof then due from the taxpayer, and any balance thereof shall be refunded immediately to the taxpayer.

"(b) Review of allowance of interest: Section 3790 of the Internal Revenue Code (prohibiting administrative review of Commissioner's decisions) is amended by inserting at the end thereof the following: "In the absence of fraud or mistake in mathematical calculation, the allowance or nonallowance by the Commissioner, of interest on any credit or refund of amounts withheld under part II of subchapter D of chapter 1, or of amounts paid thereunder, or of payments of the estimated tax made under section 59, shall not, except as provided in chapter 5, be subject to review by any other administrative or accounting officer, employee, or agent of the United States."

"Sec. 4. Current payment of basic tax not withheld at source.

"(a) In general: The Internal Revenue Code is amended by striking out sections 58, 59, and 60 and inserting in lieu thereof the following:

"Sec. 58. Declaration of estimated basic tax by individuals.

"(a) Requirement of declaration: Every individual (other than an estate or trust and other than a nonresident alien subject to withholding under section 143 (b)) shall, at the time during the taxable year prescribed in subsection (d), make a declaration of his estimated basic tax for the taxable year if his gross income from sources other than wages (as defined in section 465)—

"(1) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$100 for the taxable year and this gross income to be such as will require the making of a return for the taxable year under section 51; or did exceed \$100 for the preceding taxable year and such individual either was required to make a return under section 51 for such preceding taxable year or would have been so required if he had been single during the whole of such preceding the taxable year; or

"(2) in case such individual is married and living with husband or wife: can when added to the gross income which can reasonably be expected to be received by husband or wife from such sources, reasonably be expected to exceed \$100 for the taxable year and the aggregate gross income of such husband and wife can reasonably be expected to be such as will require the making of a return under section 51; or did, when added to the gross income of such husband or wife from such sources for the preceding taxable year, exceed \$100 for such preceding taxable year and such individual would have been required to make a return under section 51 for such preceding taxable year if he had been married and living with husband or wife during the whole of such preceding taxable year.

"(b) Contents of declaration: In the declaration required under subsection (a) the individual shall state—

"(1) the amount by which his estimated net income for the taxable year exceeds the greater of the following:

"(A) the amount of his estimated wages as defined in section 465, the withheld tax on

which is allowable as a credit for such taxable year under section 466 (e);

"(B) the amount of his estimated aggregate amount of the credits for the taxable year allowable under section 25 (b);

"(2) the amount equal to 20 percent of the amount determined under paragraph (1), which for the purpose of this chapter shall be held and considered to be the estimated basic tax for the taxable year."

"The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

"(c) Joint declaration by husband and wife: In the case of a husband and wife living together, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated basic tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint return is not made for the taxable year, the estimated basic tax for such year may be treated as the estimated basic tax of either the husband or the wife, or may be divided between them.

"(d) Time and place for filing: The declaration required under subsection (a) shall be filed on or before the fifteenth day of the third month of the taxable year, except that if the requirements of subsection (a) are first met after such date, the declaration shall be filed on or before the fifteenth day of the last month of the quarter of the taxable year in which such requirements are first met. An individual may make amendments or revisions of a declaration filed under this subsection, under regulations prescribed by the Commissioner with the approval of the Secretary. If so made, such amendments or revisions shall be filed on or before the 15th day of any quarter of the taxable year subsequent to that in which the declaration was filed and in which no previous amendments or revisions have been made or filed. Declarations and amendments and revisions thereof shall be filed with the Collector specified in section 53 (b) (1).

"(e) Extension of time: The Commissioner may grant a reasonable extension of time for filing declarations, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than six months.

"(f) Persons under disability: If the taxpayer is unable to make his own declaration, the declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

"(g) Signature presumed correct: The fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

"Sec. 59. Payment of estimated basic tax.

"(a) In general: The estimated basic tax shall be paid in four equal installments except that

"(1) if the declaration is filed (otherwise than pursuant to an extension of time) after the fifteenth day of the third month of the taxable year, the estimated basic tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year (including the quarter in which the declaration is filed); and

"(2) if any amendment or revision of a declaration is filed, the remaining installments shall be ratably increased or decreased, as the case may be, to reflect the increase or decrease, as the case may be, in the estimated

basic tax by reason of such amendment or revision; and

"(3) at the election of the individual, any installment of the estimated basic tax may be paid prior to the date prescribed for its payment.

"Payment of the estimated basic tax shall be considered payment on account of the tax for the taxable year.

"(b) Assessment: The estimated basic tax shall be assessed only to the extent paid.

"Sec. 60. Special rules for application of sections 58 and 59.

"(a) Farmers: In the case of an individual whose estimated gross income from farming for the taxable year is at least 80 percent of the total estimated gross income from all sources for the taxable year, in lieu of the time prescribed in section 58 (d), the declaration for the taxable year may be made at any time on or before the 15th day of the last month of the taxable year.

"(b) Application to short taxable years: The application of sections 58, 59, and 294 (a) (4) and (5) to taxable years of less than 12 months shall be as prescribed in regulations prescribed by the Commissioner with the approval of the Secretary.

"(c) Application to taxable years beginning in 1943: If the taxable year is the calendar year 1943, the 15th day of September 1943 shall be substituted for the 15th day of March for the purposes of section 58 (d). If the taxable year begins in 1943 after January 1, the date which shall be substituted for the 15th day of the third month of the taxable year for the purposes of section 58 (d) shall be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary."

"(b) Additions to tax: Section 294 (a) of the Internal Revenue Code (relating to additions to tax in case of nonpayment) is amended by inserting at the end thereof the following:

"(3) Failure to file declaration of estimated basic tax: In the case of a failure to make and file a declaration of estimated basic tax within the time prescribed, there shall be added to the tax \$10 or an amount equal to 10 percent of the tax, whichever is the greater.

"(4) Failure to pay installment of estimated basic tax: In the case of the failure to pay an installment of the estimated basic tax within the time prescribed, there shall be added to the tax \$2.50 or 2½ percent of the tax, whichever is the greater, for each installment with respect to which such failure occurs.

"(5) Substantial underestimate of estimated basic tax: If 16 percent in the case of individuals other than farmers exercising an election under section 60 (a), or 13½ percent in the case of such farmers, of the net income in excess of the amount of wages as defined in section 465 (the withheld tax on which is allowable as a credit under section 466 (e)), or the amount of the credits against net income allowable under section 25 (b), whichever is the greater, exceeds the estimated basic tax, there shall be added to the tax an amount equal to 6 percent of such excess."

"(c) Penalties: Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after 'return' wherever appearing therein the words 'or declaration,' and (2) by inserting before 'tax' wherever appearing therein the words 'estimated basic tax or.'

"(d) Payment of tax: Section 56 (b) of the Internal Revenue Code is amended to read as follows:

"(b) Installment payments:

"(1) Corporations, estates, and trusts, etc.: In the case of (A) a corporation, (B) a trust, (C) an estate, or (D) a nonresident alien subject to withholding under section 143 (b), the taxpayer may elect to pay the

tax in four equal installments, in which event the first installment shall be paid on the date prescribed for the payment of the tax by the taxpayer, the second installment shall be paid on the 15th day of the third month, the third installment on the 15th day of the sixth month, and the fourth installment on the 15th day of the ninth month after such date.

"(2) Other individuals: In the case of all other individuals, the taxpayer may elect to pay the tax in four installments in which event the first installment shall be an amount equal to the sum of the following:

"(A) the basic tax;

"(B) one-fourth of the amount by which the tax imposed by this chapter computed without regard to the credit provided in section 466 (e) exceeds the basic tax.

"The amount of the first installment as computed hereunder shall be reduced by the sum of the amount of the credit allowable under section 466 (e) plus the amount of estimated basic tax paid during the taxable year and in case such sum is equal to or in excess of the amount of the first installment as computed hereunder, but is less than the tax imposed by this chapter (computed without regard to the credit allowable under section 466 (e)) such sum shall constitute the amount of the first installment. The amount of an installment other than such first installment shall be one-third of the difference between the tax imposed (computed without regard to the credit allowable under section 466 (e)) and the amount of such first installment. The first installment shall be paid on the date prescribed for the payment of the tax by the taxpayer, and the balance of the tax shall be paid in three equal installments, the second installment on the 15th day of the third month, the third installment on the 15th day of the sixth month, and the fourth installment on the 15th day of the ninth month, after such date.

"(3) Definition of basic tax: For the purposes of paragraph (2) of this subsection the term "basic tax" means—

"(A) in the case of a taxpayer making a return under Supplement T, the sum of (i) the tax imposed under section 400, (ii) the tax imposed under section 450 (adjusted for the credit allowable under section 453) and (iii) any additions to the tax for which the taxpayer is liable under the provisions of section 294 (a) (3) (4) (5).

"(B) in the case of all other taxpayers to which paragraph (2) of this subsection is applicable, the sum of (i) the normal tax imposed under section 11, (ii) an amount equal to a percentage of the surtax net income at the first bracket rate of surtax, (iii) the tax imposed under section 450 (adjusted for the credit allowable under section 453), and (iiii) any additions to the tax for which the taxpayer is liable under the provisions of sections 294 (a) (3) (4) (5).

"If any installment is not paid on or before the date fixed for its payment, the whole amount of the tax unpaid is to be paid upon notice and demand from the collector."

"(e) Taxable years to which applicable: The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1942.

"Sec. 5. Relief from double payments in 1943.

"(a) Effective date: This section shall be applicable with respect to taxable years beginning in 1942 but shall not take effect until September 1, 1943.

"(b) In general: In the case of an individual who makes a return for a taxable year beginning in 1942, the tax imposed under chapter 1 of the Internal Revenue Code shall, in lieu of that otherwise imposed, be the tax computed without regard to this section less an amount equal to the sum of the normal tax plus 13 percent of the surtax net income for such year.

"(c) Supplement T taxpayers: In the case of an individual who makes a return for the

calendar year 1942 under Supplement T, the liability for the tax imposed under section 400 of the Internal Revenue Code for such year is canceled and discharged.

"(d) Short taxable years: The provisions of this section shall not apply to any taxable year which consists of a period of less than 12 months.

"(e) Reduction where credit for foreign tax: In computing the amount by which the tax is reduced under subsection (b) the tax imposed under chapter 1 of the Internal Revenue Code shall be the tax imposed under said chapter prior to its diminution by credit available to the taxpayer under sections 31 and 131 of such chapter. In computing the net tax liability for any such taxable year the amount of such credit shall be computed after taking into account the reduction in tax effected by this section.

"(f) Individuals excluded: The provisions of this section shall not apply to (A) an estate, (B) a trust, (C) a nonresident alien subject to withholding under section 143 (b) of the Internal Revenue Code.

"(g) Refund or credit of reduction in tax: The amount by which the tax is reduced under subsections (b) and (c) of this section shall, if the taxpayer elects to pay the tax in installments, be prorated to the four installments of such tax. The amount so prorated to the installments of the tax falling due after September 1, 1943, shall be applied in reduction of each such installment.

"(h) Treatment of payments prior to September 1, 1943, of amounts by which 1942 tax reduced: Any payment—other than interest and additions to the tax—made prior to September 1, 1943—or on or after such date pursuant to any extension of time granted by the Commissioner before such date—of an amount by which the tax imposed under chapter 1 of the Internal Revenue Code is reduced under subsection (b) or (c) of this section for a taxable year beginning in 1942 shall be held and considered as a payment on account of the estimated basic tax for the taxable year beginning in 1943. In the case of any extension of time for the payment of such tax granted by the Commission prior to September 1, 1943, payment of the portion thereof which, if such extension had not been granted, would have been payable under section 56 (b) prior to September 1, 1943, shall be paid notwithstanding subsections (b) or (c) of this section.

"Sec. 6. Additional allowance for members of armed forces.

"(a) In general: Section 22 (b) (13) of the Internal Revenue Code (relating to additional allowance for military and naval personnel in computing net income) is amended to read as follows:

"(13) Additional allowance for military and naval personnel: In the case of compensation received during any taxable year and before the termination of the present war as proclaimed by the President, by a member of the military or naval forces of the United States for active service in such forces during such war, so much of such compensation as does not exceed the excess of \$3,500 over the personal exemption claimed under section 25 (b) by such member for such taxable year (and by his spouse, if such member is married and living with his spouse on the last day of the taxable year and such spouse is not entitled to the benefits of this paragraph).

"(b) Effective date: The amendment made by subsection (a) shall apply with respect to all compensation received after December 31, 1941, by a member of the military or naval forces of the United States for active service in such forces.

"Sec. 7. Abatement of tax for members of armed forces in year of death.

"(a) In general: Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

"Supplement U.—Abatement of tax for members of armed forces in year of death

"Sec. 421. Abatement of tax for members of armed forces in year of death.

"In the case of any individual who dies while in active service as a member of the military or naval forces of the United States and prior to the termination of the present war as proclaimed by the President, the tax imposed by this chapter shall not apply with respect to the taxable year in which falls the date of his death, and the tax under this chapter and under the corresponding title of each prior revenue law for preceding taxable years which is unpaid at the date of his death (including interest, additions to the tax, and additional amounts) shall not be assessed, and if assessed the assessment shall be abated, and if collected shall be credited or refunded as an overpayment."

"(b) The amendment made by subsection (a) shall be effective on and after December 7, 1941."

Mr. KNUTSON (interrupting reading of the motion). Mr. Speaker, I think the House understands this bill. It is the Robertson-Forand bill and I ask unanimous consent that further reading be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota [Mr. Knutson]?

Mr. DINGELL. Mr. Speaker, reserving the right to object, what is the request?

The SPEAKER. The gentleman asked that further reading of the motion to recommit be dispensed with. Is there objection?

There was no objection.

Mr. COOPER. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

Mr. HENDRICKS. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. HENDRICKS. It is not clear to me what the gentleman's motion was and what his substitute is.

The SPEAKER. It is too late now to explain that. The previous question has been ordered.

Mr. ROBERTSON. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. No debate is in order. Does the gentleman desire to propound a parliamentary inquiry?

Mr. HENDRICKS. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. HENDRICKS. No one knows, so far as I know, what the motion to recommit is.

The SPEAKER. Unanimous consent has been given that it be not read. The question is on the motion to recommit.

The question was taken; and on a division (demanded by Mr. MARTIN of Massachusetts) there were—ayes 193, noes 173.

Mr. DOUGHTON and Mr. KNUTSON demanded the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 230, nays 180, not voting 23, as follows:

[Roll No. 60]

YEAS—230

Allen, Ill.	Graham	Murray, Tenn.
Anderson, Calif.	Grant, Ind.	Murray, Wis.
Anderson, N. Mex.	Green	Norman
Andresen, August H.	Griffiths	O'Brien, Mich.
Andrews	Gross	O'Brien, N. Y.
Angell	Gwynne	O'Hara
Arends	Hale	O'Leary
Arnold	Hall	O'Toole
Auchincloss	Edwin Arthur	Peterson, Fla.
Baldwin, Md.	Hall	Philbin
Baldwin, N. Y.	Leonard W.	Phillips
Barrett	Halleck	Pittenger
Barry	Hancock	Ploeser
Bates, Ky.	Harness, Ind.	Plumley
Bates, Mass.	Harris, Va.	Powers
Beall	Hartley	Pracht
Bell	Hébert	Price
Bender	Heidinger	Ramey
Bennett, Mich.	Hendricks	Randolph
Bennett, Mo.	Herter	Reece, Tenn.
Bishop	Hess	Reed, Ill.
Blackney	Hill	Reed, N. Y.
Bolton	Hinshaw	Rees, Kans.
Boykin	Hoeven	Rizley
Bradley, Mich.	Hoffman	Robertson
Brehm	Holmes, Mass.	Robson, Ky.
Brown, Ohio	Holmes, Wash.	Rockwell
Buffett	Hope	Rodgers, Pa.
Busbey	Howell	Rogers, Mass.
Butler	Jeffrey	Rohrbough
Canfield	Jenkins	Rolph
Cannon, Fla.	Jennings	Rowe
Carlson, Kans.	Jensen	Satterfield
Carson, Ohio	Johnson	Schiffier
Carter	Anton J.	Schwabe
Celler	Johnson	Scott
Chenoweth	Calvin D.	Shafer
Chiperfield	Johnson, Ind.	Short
Church	Johnson, Ward	Sikes
Clason	Jones	Simpson, Ill.
Clevenger	Jonkman	Simpson, Pa.
Coffee	Judd	Slaughter
Cole, Mo.	Kean	Smith, Maine
Cole, N. Y.	Kearney	Smith, Ohio
Compton	Keefe	Smith, Va.
Cravens	Kelley	Smith, W. Va.
Cunningham	Kilburn	Smith, Wis.
Curtis	Kilday	Somers, N. Y.
Day	Kinzer	Springer
Dewey	Kleberg	Stanley
Ditter	Knutson	Stearns, N. H.
Domengeaux	Lambertson	Stefan
Dondero	Landis	Stockman
Douglas	Larcade	Sundstrom
Eaton	LeCompte	Taber
Elliott	LeFevre	Talbot
Ellis	Lewis	Talle
Ellison, Md.	Luce	Taylor
Ellsworth	Ludlow	Tibbott
Elston, Ohio	McCowen	Towe
Engel	McGregor	Treadway
Englebright	McKenzie	Troutman
Fellows	McLean	Van Zandt
Fenton	McWilliams	Voorhis, Calif.
Fernandez	Maas	Vorsy, Ohio
Fish	Martin, Iowa	Vursell
Fogarty	Martin, Mass.	Veichel, Ohio
Forand	Mason	Wene
Gale	Merrrow	Wheat
Gallagher	Michener	Wieglesworth
Gamble	Miller, Conn.	Willey
Gavin	Miller, Mo.	Wilson
Gifford	Miller, Nebr.	Winter
Gilchrist	Miller, Pa.	Wolcott
Gillette	Monkiewicz	Wolfenden, Pa.
Gillie	Morrison, La.	Wolverton, N. J.
Goodwin	Mott	Woodruff, Mich.
	Mruk	Woodrum, Va.
	Mundt	

NAYS—180

Abernethy	Camp	Dilweg
Allen, La.	Cannon, Mo.	Dingell
Andersen, H. Carl	Capozzoli	Disney
Barden	Chapman	Doughton
Beckworth	Clark	Drewry
Bland	Colmer	Durham
Bloom	Cooley	Dworshak
Bonner	Cooper	Eber-harter
Boren	Costello	Fay
Bradley, Pa.	Courtney	Feighan
Brooks	Cox	Fisher
Brown, Ga.	Crawford	Fitzpatrick
Bryson	Crosser	Flannagan
Buckley	Cullen	Folger
Bulwinkle	Curley	Ford
Burchill, N. Y.	D'Alesandro	Fulbright
Burdick	Davis	Fulmer
Burgin	Dawson	Gathings
Byrne	Delaney	Gavagan
	Dickstein	Gerlach

Gordon	McCord	Robinson, Utah
Gore	McCormack	Rowan
Gorski	McGranery	Russell
Gossett	McMillan	Sabath
Granger	McMurray	Sadowski
Grant, Ala.	Madden	Sasser
Gregory	Mahon	Sauthoff
Hare	Maloney	Scanlon
Harless, Ariz.	Manasco	Schuetz
Harris, Ark.	Mansfield,	Sheppard
Hart	Mont.	Sheridan
Hays	Mansfield, Tex.	Snyder
Heffernan	Marcantonio	Sparkman
Hobbs	May	Spence
Hoch	Merritt	Starnes, Ala.
Hollifield	Mills	Steagall
Horan	Monroney	Stevenson
Hull	Morrison, N. C.	Stewart
Izac	Murdock	Sullivan
Jarman	Murphy	Summer, Ill.
Johnson,	Myers	Summers, Tex.
J. Leroy	Newsome	Tarver
Johnson,	Nichols	Thomas, Tex.
Luther A.	Norrell	Thomason
Johnson,	Norton	Tolan
Lyndon B.	O'Brien, Ill.	Vincent, Ky.
Johnson, Okla.	O'Connor	Vinson, Ga.
Kee	O'Neal	Walter
Kefauver	Outland	Ward
Kennedy	Pace	Wasielewski
Keogh	Patman	Weaver
Kerr	Patton	Weiss
King	Peterson, Ga.	Welch
Kirwan	Pfeifer	West
Klein	Poage	Whelchel, Ga.
Kunkel	Poulson	Whitten
LaFollette	Priest	Whittington
Lane	Rabaut	Wickersham
Lanham	Ramspeck	Winstead
Lea	Rankin	Wright
Lesinski	Richards	Zimmerman
Lynch	Rivers	

NOT VOTING—23

Burch, Va.	Furlong	Magnuson
Case	Gearhart	O'Konski
Cochran	Gibson	Rogers, Calif.
Creal	Guyer	Thomas, N. J.
Culkin	Hagen	Wadsworth
Dies	Jackson	White
Dirksen	Lemke	Worley
Elmer	McGehee	

So the motion to recommit was agreed to.

The Clerk announced the following pairs:

Mr. Wadsworth (for) with Mr. Creal (against).
 Mr. Hagen (for) with Mr. Burch (against).
 Mr. Elmer (for) with Mr. Lemke (against).
 Mr. Thomas, New Jersey (for) with Mr. Dies (against).
 Mr. Jackson (for) with Mr. Gibson (against).

General pairs:

Mr. McGehee with Mr. Gearhart.
 Mr. Cochran with Mrs. Case.
 Mr. Furlong with Mr. O'Konski.
 Mr. Magnuson with Mr. Culkin.
 Mr. Worley with Mr. Dirksen.
 Mr. Rogers of California with Mr. Guyer.

Mr. O'LEARY and Mr. GREEN changed their votes from "nay" to "yea."

The result of the vote was announced as above recorded.

Mr. DOUGHTON. Mr. Speaker, pursuant to the instructions of the House, I report back the bill H. R. 2570 with an amendment which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. DOUGHTON: Strike out all after the enacting clause and insert in lieu thereof the provisions of the bill H. R. 2577, as follows.

Mr. COOPER. Mr. Speaker, the provisions of this amendment are well known. I ask unanimous consent that the further reading of the amendment be dispensed with.

Mr. ROBERTSON. A parliamentary inquiry, Mr. Speaker.

The SPEAKER. The gentleman will state it.

Mr. ROBERTSON. Is this amendment known as the Forand amendment?

The SPEAKER. The Chair has no information about that. It is the matter incorporated in the motion to recommit, however.

Is there objection to the request of the gentleman from Tennessee?

Mr. MCCORMACK. Reserving the right to object, Mr. Speaker, may I ask the gentleman from Tennessee, who is so thoroughly acquainted with the various bills, if he has examined the amendment which is submitted in response to the instructions contained in the motion to recommit and if he can advise the House if that is the so-called Forand-Robertson bill.

Mr. COOPER. This amendment is the bill H. R. 2577, which was introduced by the gentleman from Rhode Island [Mr. FORAND].

Mr. ROBERTSON. Exactly.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. KENNEDY. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. KENNEDY. I should like to know whether or not it is possible or permissible under the rules that we have at least 30 minutes of debate on the so-called Forand-Robertson amendment, because as far as I know there are no printed minutes or hearings and there has been no hearing or statement in this House on the subject.

The SPEAKER. The gentleman is not stating a parliamentary inquiry. If the gentleman desires to prefer a unanimous-consent request he may do so.

Mr. KENNEDY. Mr. Speaker, I ask unanimous consent that in view of the importance of this question, involving every taxpayer in the country, and in view of the fact that there are no hearings and no discussions—

The SPEAKER. If the gentleman has a unanimous-consent request to prefer, he must submit it. He cannot make a speech.

Mr. KENNEDY. I ask unanimous consent, Mr. Speaker, that we have 30 minutes of debate on this particular amendment.

The SPEAKER. Is there objection to the request of the gentleman from New York?

Mr. COOPER. Reserving the right to object, Mr. Speaker, may I state that the amendment has been discussed. The gentleman from Rhode Island [Mr. FORAND] has spoken on it several times and explained it, and the gentleman from Virginia [Mr. ROBERTSON] has done likewise. I think the House is familiar to a reasonable extent with the provisions of the amendment.

The SPEAKER. Is there objection to the request of the gentleman from New York?

Mr. KNUTSON. I object, Mr. Speaker.
 Mr. COOPER. Mr. Speaker, I move the previous question on the bill and amendment to final passage.

The previous question was ordered.

The SPEAKER. The question is on the amendment.

The question was taken; and on a division (demanded by Mr. COOPER) there were—ayes 233, noes 115.

So the amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. DOUGHTON. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 313, nays 96, not voting 25, as follows:

[Roll No. 61]

YEAS—313

Allen, Ill.	Douglas	Johnson, Ind.
Allen, La.	Drewry	Johnson,
Anderson, Calif.	Eaton	J. Leroy
Anderson,	Elliott	Johnson,
N. Mex.	Ellis	Lyndon B.
Andresen,	Ellison, Md.	Johnson, Ward
August H.	Ellsworth	Jones
Andrews	Elston, Ohio	Jonkman
Angell	Engel	Judd
Arends	Englebright	Kearney
Arnold	Fay	Keefe
Auchincloss	Fellows	Kelley
Baldwin, Md.	Fenton	Keogh
Baldwin, N. Y.	Fernandez	Kilburn
Barrett	Fish	Kilday
Barry	Fisher	Kinzer
Bates, Ky.	Fitzpatrick	Kleberg
Bates, Mass.	Fogarty	Knutson
Beall	Forand	Kunkel
Bell	Gale	LaFollette
Bender	Gallagher	Lambertson
Bennett, Mich.	Gathings	Landis
Bennett, Mo.	Gavagan	Lane
Bishop	Gavin	Lanham
Blackney	Gifford	Larcade
Bland	Gilchrist	Lea
Bloom	Gillette	LeCompte
Bolton	Gillie	LeFevre
Boykin	Goodwin	Lesinski
Bradley, Mich.	Gordon	Lewis
Brehm	Gorski	Luce
Brooks	Graham	Ludlow
Brown, Ohio	Grant, Ala.	McCormack
Bryson	Grant, Ind.	McCown
Buckley	Green	McGregor
Buffett	Griffiths	McKenzie
Bulwinkle	Gross	McLean
Burchill, N. Y.	Gwynne	McMillan
Busbey	Hale	McWilliams
Butler	Hall,	Maas
Byrne	Edwin Arthur	Madden
Canfield	Halleck	Maloney
Cannon, Fla.	Hancock	Mansfield, Tex.
Capozzoli	Harless, Ariz.	Martin, Iowa
Carlson, Kans.	Harness, Ind.	Martin, Mass.
Carson, Ohio	Harris, Ark.	Mason
Carter	Harris, Va.	Merritt
Celler	Hart	Morrow
Chenoweth	Hartley	Michener
Chiperfield	Hays	Miller, Conn.
Church	Hébert	Miller, Mo.
Clason	Heffernan	Miller, Nebr.
Clevenger	Hendricks	Miller, Pa.
Coffee	Herter	Monkiewicz
Cole, Mo.	Hess	Morrison, La.
Cole, N. Y.	Hill	Mott
Compton	Hinshaw	Mruk
Cooper	Hoeven	Mundt
Courtney	Hoffman	Murphy
Cravens	Holmes, Mass.	Murray, Tenn.
Cullen	Holmes, Wash.	Murray, Wis.
Cunningham	Hope	Newsome
Curley	Howell	Norman
Curtis	Jarman	Norrell
Davis	Jeffrey	Norton
Dawson	Jenkins	O'Brien, Ill.
Day	Jennings	O'Brien, Mich.
Delaney	Jensen	O'Brien, N. Y.
Dewey	Johnson,	O'Hara
Ditter	Anton J.	O'Leary
Domengeaux	Johnson,	O'Neal
Dondero	Calvin D.	O'Toole

Outland	Rowe	Sundstrom
Patman	Sabath	Taber
Patton	Sadowski	Talbot
Peterson, Fla.	Sasser	Talle
Pfeifer	Satterfield	Taylor
Philbin	Sauthoff	Thomas, Tex.
Phillips	Scanlon	Thomason
Pittenger	Schliffier	Tibbott
Ploeser	Schuetz	Tolan
Plumley	Schwabe	Towe
Poulson	Scott	Treadway
Powers	Shafer	Troutman
Pracht	Sheppard	Van Zandt
Price	Sheridan	Voorhis, Calif.
Priest	Short	Vorys, Ohio
Rabaut	Sikes	Vursell
Ramey	Simpson, Ill.	Walter
Ramspeck	Simpson, Pa.	Ward
Randolph	Slaughter	Weichel, Ohio
Reece, Tenn.	Smith, Maine	Weiss
Reed, Ill.	Smith, Ohio	Welch
Reed, N. Y.	Smith, Va.	Wene
Rees, Kans.	Smith, W. Va.	Wheat
Richards	Smith, Wis.	Wigglesworth
Rivers	Somers, N. Y.	Willey
Rizley	Sparkman	Wilson
Robertson	Springer	Winter
Robinson, Utah	Stanley	Wolcott
Robson, Ky.	Starnes, Ala.	Wolfenden, Pa.
Rockwell	Stearns, N. H.	Wolverton, N. J.
Rodgers, Pa.	Stefan	Woodruff, Mich.
Rogers, Mass.	Stevenson	Woodrum, Va.
Rohrbough	Stockman	Wright
Rolph	Sullivan	Zimmerman
Rowan	Sumners, Tex.	

NAYS—95

Abernethy	Ford	Mahon
Andersen	Fulbright	Manasco
H. Carl	Fulmer	Mansfield,
Barden	Gamble	Mont.
Beckworth	Gerlach	Marcantonio
Bonner	Gore	Mills
Boren	Gossett	Monroney
Bradley, Pa.	Granger	Morrison, N. C.
Brown, Ga.	Gregory	Murdock
Burdick	Hall,	Myers
Burgin	Leonard W.	Nichols
Camp	Hare	O'Connor
Cannon, Mo.	Hobbs	Pace
Chapman	Hoch	Peterson, Ga.
Clark	Holifield	Poage
Colmer	Horan	Rankin
Cooley	Hull	Russell
Costello	Izac	Snyder
Cox	Johnson,	Spence
Crawford	Luther A.	Steagall
Crosser	Johnson, Okla.	Stewart
D'Alesandro	Kean	Sumner, Ill.
Dickstein	Kee	Tarver
Dilweg	Kefauver	Vincent, Ky.
Dingell	Kennedy	Vinson, Ga.
Disney	Kerr	Wasielewski
Doughton	King	Weaver
Durham	Kirwan	West
Dworshak	Klein	Welchel, Ga.
Eberharter	Lynch	Whitten
Feighan	McCord	Whittington
Flannagan	McGranery	Wickersham
Folger	McMurray	Winstead

NOT VOTING—25

Burch, Va.	Gearhart	May
Case	Gibson	O'Konski
Cochran	Guyer	Rogers, Calif.
Creal	Hagen	Thomas, N. J.
Culkin	Heidinger	Wadsworth
Dies	Jackson	White
Dirksen	Lemke	Worley
Elmer	McGehee	
Furlong	Magnuson	

So the bill was passed.
The Clerk announced the following additional pairs:

General pairs:

Mr. Creal with Mr. Wadsworth.
Mr. Church with Mr. Hagen.
Mr. Dies with Mr. Thomas of New Jersey.
Mr. Jackson with Mr. Lemke.
Mr. Gibson with Mr. Elmer.
Mr. McGehee with Mr. Gearhart.
Mr. Cochran with Mr. Case.
Mr. Furlong with Mr. O'Konski.
Mr. Magnuson with Mr. Culkin.
Mr. Worley with Mr. Dirksen.
Mr. May with Mr. Guyer.
Mr. Rogers of California with Mr. Heidinger.

Mr. HOBBS changed his vote from "aye" to "nay."

The result of the vote was announced as above recorded.

A motion to reconsider the vote by which the bill was passed was laid on the table.

LEAVE TO ADDRESS THE HOUSE

Mr. MORRISON of Louisiana. Mr. Speaker, I ask unanimous consent, after any other special orders today, I may address the House for 20 minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. ANDERSON of California. Mr. Speaker, I ask unanimous consent that tomorrow after the legislative business is disposed of, and any other special orders, I be permitted to address the House for 20 minutes on the status of the Japanese in the United States.

The SPEAKER. Is there objection?

There was no objection.

PROGRAM FOR TOMORROW

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. MARTIN of Massachusetts. Mr. Speaker, I do this for the purpose of inquiring of the majority leader what the program is for tomorrow.

Mr. McCORMACK. Mr. Speaker, the first thing in order will be the disposition of the motion to reconsider which is pending on the conference report on the pay-increase bill. If that can be brought up, it will be in order the first thing. I understand the gentleman from Texas [Mr. WORLEY] made the motion to reconsider, but he is now unavoidably absent due to illness in his family.

Mr. MARTIN of Massachusetts. That will be the first in order?

Mr. McCORMACK. Yes; that will be the first thing brought up. I see the gentleman from Georgia [Mr. RAMSPECK] is present. Is that agreeable to him?

Mr. RAMSPECK. It is. I hope to dispose of it the first thing tomorrow. Of course, there is no debate upon it, as I understand it, under the rule. It is a mere question of voting.

Mr. McCORMACK. Then the vote will be taken on the conference upon the Treasury and Post Office Departments bill.

Mr. MARTIN of Massachusetts. I understand that that is quite controversial, and that there are quite a number of items in dispute.

Mr. McCORMACK. I understand there are at least four items that will have to be brought up separately and debated. We are anxious next to bring up and dispose of the extension of the Reciprocal Trade Agreement Act. Since talking with the gentleman from Massachusetts, I have talked with the chairman of the Committee on Ways and Means, the gentleman from North Carolina [Mr. DOUGHTON], and he is very anxious to bring that up this week. I understand that the bill will be reported out tomorrow.

Mr. DOUGHTON. We will report the bill out tomorrow, and expect to get a rule and bring up the matter for debate on Friday.

Mr. MARTIN of Massachusetts. I understand that the conference report on the Treasury and Post Office Departments appropriation bill will take about 2 days.

Mr. McCORMACK. It is my understanding that they desire to begin debate on the reciprocal trade agreement on Friday.

Mr. DOUGHTON. Yes. We hope to file the report tomorrow, and get a rule on it.

Mr. MARTIN of Massachusetts. When does the gentleman expect to pass that?

Mr. DOUGHTON. That will depend very largely upon the cooperation on the Republican side. We have not been able to reach any understanding with the minority Members as to the time for debate. The gentleman knows as much about that as I do. If the Republicans cooperate on a reasonable time for debate, we hope to dispose of it early next week.

Mr. MARTIN of Massachusetts. That is quite an order.

Mr. DOUGHTON. Oh, I do not give my friend any orders. That is a mere suggestion.

Mr. MARTIN of Massachusetts. The gentleman has not had any discussion with the minority Members here about that, has he?

Mr. McCORMACK. What we are hopeful for is that the debate will be started on Friday, and then we will adjourn over until the following Monday.

I am hopeful we will be able to adjourn from Friday until Monday. Beyond that, of course, I am unable to state now, because that depends upon the time that is provided for in the rule that is reported, but the Ways and Means Committee usually operates so harmoniously on matters of that kind that I am very confident they will get together.

The SPEAKER. The time of the gentleman has expired.

EXTENSION OF REMARKS

Mr. MICHENER. Mr. Speaker, I ask unanimous consent that my colleague [Mr. SHAFER], may extend his remarks in the RECORD, and include a newspaper article.

The SPEAKER. Is there objection? There was no objection.

[The matter referred to appears in the Appendix.]

GENERAL LEAVE TO EXTEND REMARKS

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their own remarks on the tax bill just passed.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

EXTENSION OF REMARKS

By unanimous consent, Mr. FULBRIGHT was granted permission to extend his own remarks in the RECORD.

Mr. MARCANTONIO. Mr. Speaker, I ask unanimous consent to extend my remarks, and include a letter from Philip Murray and a statement by the National Lawyers Guild.



This week I have received from the chief clerk of the Senate of the Wisconsin Legislature an enrolled copy of a joint resolution adopted by the 1943 Wisconsin Legislature. The joint resolution directs the Wisconsin Commission on Interstate Cooperation to study the effects of the enlargement of the activities of the Federal Government in various fields of taxation and regulation and to report to the legislature its findings and recommendations as to the restoration to the State of Wisconsin of its rightful powers and duties as a sovereign State.

Mr. President, the resolution is a very significant one. It indicates, as I have said, that the people of Wisconsin are thinking things through, especially things in connection with the post-war period. I feel that the resolution indicates a very serious problem, and one which warrants immediate study.

Some time ago a committee on intergovernmental fiscal relations recommended the creation of a Federal-State fiscal authority to help untangle the maze of overlapping taxes and conflicting fiscal functions of Federal, State, and local governments.

The committee submitted its recommendations to the Secretary of the Treasury in a six-volume report embracing a 2-year study. The committee urged coordination and cooperation rather than subordination and coercion, as the answer to intergovernmental fiscal problems, and the committee likewise recommended many changes in existing tax practices.

Mr. President, I have not studied the report; but if the newspaper accounts of the report are accurate, the report itself should be exceedingly thought-provoking in connection with any post-war planning.

The joint resolution adopted by the 1943 Legislature of Wisconsin points out that, according to figures available in October of 1942, employment in the Federal service totaled some 2,687,093 persons.

Mr. President, at this time there are employed in the Federal service approximately 3,000,000 persons. This morning there came to my desk a heart-breaking letter from one of my constituents in Wisconsin—a married woman who, in sending the letter, wrote that her husband did not know she was writing it. They have one child 7 years of age, and she expects another child shortly. Yet her husband is being inducted into the service. And there are 3,000,000 employees in the Federal service.

The resolution of the Wisconsin Legislature points out that for the month of October 1942, the pay roll of the employees of those boards, bureaus, and commissions amounted to \$445,135,852, and that for the period of October 1941, through October 1942, the total pay roll for those Federal employees reached the sum of \$4,199,653,711.

The resolution goes on to point out that during the last calendar year up to September 1, there have been created by executive order, a total of 19 boards, bureaus, and commissions.

Mr. President, the legislature of my State is concerned with the concentration in Washington of boards, bureaus,

and commissions. It is concerned because it believes that we must now consider the post-war problem which that concentration will present.

The Legislature of the State of Wisconsin indicates that after the termination of the present world-wide emergency it will be necessary to end the functions of many of those temporary boards and commissions and to cut the expenditures of the Federal Government according to peacetime needs.

State governments throughout the land are concerned about the Federal assumption of responsibilities heretofore reserved to the various States.

In the State of Wisconsin the Federal Government's collection of taxes increased from approximately \$95,000,000 in 1940, to the record total of more than \$305,000,000 in 1942, the largest collection being the Federal income tax, which jumped from \$67,000,000 in 1941, to \$206,000,000 in 1942.

In a peacetime period it is obvious that a continued extension of the tax bases by the Federal Government and the imposition of unprecedented high rates of taxes, particularly on income, would leave little if any opportunity for the States which have similar bases to look to those sources for additional revenue.

Mr. President, a great many States, in the post-war period, particularly, will be increasingly concerned with the maintenance of the rights of individual States in the fields of regulation and social legislation.

In view of all of these facts, the Wisconsin Commission on Interstate Cooperation will make a study and will report its findings to the next regular or special session of the legislature with respect to:

First. The specific fields entered by the Federal Government during the past decade;

Second. The most effective means available by which the State of Wisconsin can apprise the Federal Government of the need of reserving to the States their just rights, powers, and responsibilities.

Moreover, the study by the Wisconsin Commission will make such recommendations as it may deem necessary for the formulation of an organization of States in which each State will be represented to formulate a program to prevent further encroachment by the Federal Government upon the rights, duties, and powers of the States of the Union.

Mr. President, the need for centralization in wartime is obvious to all of us, but we were well on the march toward such centralization long before wartime, and it is conceivable that we can continue that march after the war has been won.

It is difficult to define the limitations for State and Federal activities, but it is undeniable that studies such as this one can serve a very sound constructive purpose. Such an analysis made by each of the 48 States can well redefine our traditional division of power and authority.

Mr. President, it is trite, almost, to say that we face tragic times; but we must remember that the problems of peace will exceed in difficulty the problems of

war. The tendency all over the earth for centralization has been too well-marked in the last decade or two. If centralization were all that followed we could well say, "Let it go at that"; but with centralization comes the deletion and depletion of human liberties and rights. When our fathers founded this Government they had in mind not only the need of checks and balances in the Federal Government itself, but checks and balances between existing commonwealths and the Federal Government. So, Mr. President, I am happy at this time to place in the Record the resolution of the Wisconsin Legislature which indicates that on the home front the people are thinking. When the people are thinking, the country is safe.

I now present the joint resolution adopted by the 1943 Legislature of Wisconsin with respect to this matter and ask that it be appropriately referred and printed in the Record in full at the conclusion of these remarks.

There being no objection, the joint resolution was referred to the Committee on the Judiciary and ordered to be printed in the Record, as follows:

Senate Joint Resolution 14

Joint Resolution directing the Wisconsin commission on interstate cooperation to study the effects of the enlargement of the activities of the Federal Government in various fields of taxation and regulation and to report to the legislature its findings and recommendations as to the restoration to the State of Wisconsin of its rightful powers and duties as a sovereign State

Whereas employment in the Federal service in the numerous boards, bureaus, and commissions, according to latest available figures for October 1942, has run into an all-time high of 2,687,093 persons; and

Whereas the monthly pay roll of the numerous employees of such boards, bureaus, and commissions for the month of October 1942, was the sum of \$445,135,852, and the total pay roll for the period October 1941 through October 1942 for such Federal employees reached the staggering sum of \$4,199,653,711; and

Whereas there have been created by executive order during the last calendar year up to September 1, a total of 19 boards, bureaus, and commissions; and

Whereas the concentration in Washington of the numerous boards, bureaus, and commissions has created a problem of grave concern to each individual State; and

Whereas it will be necessary after the termination of the present world-wide emergency to end the functions of all of the various and numerous temporary boards, bureaus, and commissions, and to cut the expenditures of our Federal Government to peacetime needs; and

Whereas the Federal Government has in recent years by taxation, regulation, proclamation, and executive decree, assumed responsibilities and the regulation of approximately every kind of business and human activity, practically all of which subjects and responsibilities were heretofore reserved to the various States; and

Whereas the collection of all taxes by the Federal Government in Wisconsin has increased from approximately \$95,000,000 in 1940 to the record total of more than \$305,000,000 in 1942, the largest collection being the Federal income tax which jumped from \$67,000,000 in 1941 to \$206,000,000 in 1942; and

Whereas the extension of the tax bases by the Federal Government and the imposition of unprecedented high rates of taxes, particu-

larly on income, leaves little if any opportunity for the States which have the same or similar bases to look to those sources for additional revenue; and

Whereas it is necessary in the maintenance of a united nation, that the individual States maintain the rights reserved to them, and that further encroachments by the Federal Government in the field of regulation and social legislation be considered in the light of rights of individual States; and

Whereas the States of this Nation by integrated and aggressive action can stop the growing centralization of power in Washington and effect a return to the States of State powers and functions and the reestablishment of State sovereignty: Now, therefore, be it

Resolved by the senate (the assembly concurring), That the Wisconsin commission on interstate cooperation be and it is hereby directed to study and report its findings to the next regular or special session of the legislature as to:

(a) The specific fields entered, and for all practical purposes taken over, by the Federal Government during the past 10 years.

(b) The most effective means available by which Wisconsin can apprise the Federal Government of the need of reserving to the States their just rights, powers, and responsibilities, and such recommendations as it may deem necessary for the formation of an organization of States in which each State will be represented to formulate a program to prevent further encroachment by the Federal Government upon the rights, duties, and powers of the States of the union; be it further

Resolved, That copies of this resolution be sent to the presiding officer of each branch of the other 47 State legislatures and to the council of State governments at Chicago and that they be invited to participate in a program designed to have restored to the individual States their just duties and powers; be it further

Resolved, That the Representatives in the Congress from Wisconsin be invited to participate in the deliberations of this committee and that copies of this resolution be transmitted to each such Representative from Wisconsin.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. THOMAS of Oklahoma, from the Committee on Appropriations:

H. R. 2346. A bill making appropriations for the fiscal year ending June 30, 1944, for civil functions administered by the War Department, and for other purposes; with amendments (Rept. No. 216).

By Mr. TAFT, from the Committee on Banking and Currency:

S. 658. A bill to repeal the sixth paragraph of section 18 of the Federal Reserve Act; with an amendment (Rept. No. 217).

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. CAPPER:

S. 1076. A bill to authorize the issuance of a special series of stamps commemorative of the one hundred and fiftieth anniversary of the laying of the cornerstone of the United States Capitol; to the Committee on Post Offices and Post Roads.

S. 1077. A bill for the relief of William A. Haag; to the Committee on Claims.

By Mr. BANKHEAD:

S. 1078. A bill to amend section 32 of the Emergency Farm Mortgage Act of 1933, as amended; to the Committee on Agriculture and Forestry.

By Mr. McCLELLAN:

S. 1079. A bill directing the Federal Works Administrator, through the Commissioner of the Public Roads Administration, to make a survey of the need for a system of express highways throughout the United States; to the Committee on Post Offices and Post Roads.

By Mr. SHIPSTEAD:

S. 1080. A bill authorizing the appointment of Lloyd C. Brogger as a lieutenant, United States Navy (with an accompanying paper); to the Committee on Naval Affairs.

S. 1081. A bill to add certain lands to the Upper Mississippi River Wildlife and Fish Refuge; to the Committee on Indian Affairs.

By Mr. PEPPER:

S. 1082. A bill to give wartime rank to retired officers of the military and naval forces; to the Committee on Military Affairs.

By Mr. WHEELER:

S. J. Res. 55. Joint resolution to provide for the transfer to the Bureau of Reclamation of functions relating to irrigation projects on Indian reservations; to the Committee on Indian Affairs.

HOUSE BILL REFERRED

The bill (H. R. 2750) to provide for the current payment of the individual income tax, and for other purposes, was read twice by its title and referred to the Committee on Finance.

FLAG WEEK

Mr. CAPPER submitted the following resolution (S. Res. 148), which was referred to the Committee on the Judiciary:

Resolved, That the President of the United States is authorized and requested to issue a proclamation designating the week of June 8 to 14 (inclusive) as Flag Week, calling upon officials of the Government to display the flag of the United States on all Government buildings during that week and inviting the people of the United States to observe the week with appropriate patriotic exercises.

CONTINUATION OF CERTAIN FARM PROGRAMS

Mr. LANGER. Mr. President, I wish to say in connection with the bill introduced by the distinguished junior Senator from Nebraska [Mr. WHERRY] and my colleague [Mr. NYE] that I have received a number of telegrams which I wish to read into the RECORD in connection with the Farm Security Administration and other governmental agencies which are engaged in helping the farmers. I read a telegram from Valley City, N. Dak., as follows:

VALLEY CITY, N. DAK., May 3, 1943.

Hon. WILLIAM LANGER,
United States Senator:

Hope you will see fit to continue the agricultural program parity soil-building commodity loans. Also Farm Security Administration, which has done good work in this county.

JOHN M. COOK.

I read another telegram from Ellendale, N. Dak., as follows:

ELLENDALE, N. DAK., May 3, 1943.

Hon. WILLIAM LANGER:

We certainly hope you can see fit to support our present farm programs.

ELLENDALE FARMERS UNION
COOPERATIVE ASSOCIATION.

By the way, that is one of the largest cooperative associations in the State of North Dakota.

I read another telegram from Fargo, N. Dak.:

FARGO, N. DAK., May 3, 1943.

Senator WILLIAM LANGER:

Farmers here want appropriation bill amended and your support of established programs helping agriculture.

A. S. ALBERTSON.

I read several other telegrams, as follows:

CROSBY, N. DAK., May 3, 1943.

Senator WILLIAM LANGER,

United States Senator:

Attention brought to United States Department of Agriculture War Board by residents Divide County as to necessity of continuing appropriations activities of the Agricultural Adjustment Administration program, Farm Security Administration, Farm Credit Administration, and other governmental agencies as they have been conducted in the past. This program is essential to the war effort future of our agriculture. We request your assistance.

A. L. BRUNS,

Divide County United States
Department of Agriculture War Board.

CROSBY, N. DAK., May 3, 1943.

Senator WILLIAM LANGER,

United States Senate:

Important to Northwest that agricultural programs continue if essential war production is to remain adequate. Your assistance required when brought to the Senate.

OLE SLETTEN.

VOLTAIRE, N. DAK., May 4, 1943.

Senator WILLIAM LANGER,

United States Senate,

Washington, D. C.:

Amend agricultural appropriation bill to conform with appropriations promised by the Department of Agriculture and supported by the Bureau of the Budget and the President of the United States.

THE VOLTAIRE FARMERS UNION LOCAL,
By C. J. HAWTHORNE, President.

VALLEY CITY, N. DAK., May 3, 1943.

Hon. WILLIAM LANGER,
United States Senator,

Washington, D. C.:

Farmers here favor continuation of soil conservation, commodity loans, and farm security.

BARNES COUNTY COOPERATIVE CREAMERY.

I read a telegram from Derrick, N. Dak., as follows:

DERRICK, N. DAK., May 3, 1943.

Senator LANGER,

Washington, D. C.:

Vote on farm bill now before the Senate so that the Agricultural Adjustment Agency, Federal Crop Insurance, Farm Security Administration bill, and the Regional Agriculture Credit Corporation set-up will continue to function.

John Ivesdal, Edmore, N. Dak.; Lars Ingulsrud, Edmore, N. Dak.; Frank Novacek, Edmore, N. Dak.; George Martinson, Derrick, N. Dak.; Jorgen Ivesdal, Edmore, N. Dak.

That telegram is signed by some of the leading farmers of the State of North Dakota.

I read a telegram from Tappen, N. Dak.:

TAPPEN, N. DAK., May 3, 1943.

Hon. WILLIAM LANGER,

Senator from North Dakota,

Washington D. C.:

Request your support to provide appropriation for parity payments, soil conservation

78TH CONGRESS
1ST SESSION

H. R. 2570

IN THE SENATE OF THE UNITED STATES

MAY 5 (legislative day, MAY 3), 1943

Read twice and referred to the Committee on Finance

AN ACT

To provide for the current payment of the individual income tax,
and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) this Act may be cited as the "Current Tax Pay-
4 ment Act of 1943".

5 (b) MEANING OF TERMS USED.—Except as otherwise
6 expressly provided, terms used in this Act shall have the same
7 meaning as when used in the Internal Revenue Code.

8 SEC. 2. COLLECTION OF TAX AT SOURCE ON WAGES.

9 (a) IN GENERAL.—Part II of Subchapter D of Chapter
10 1 of the Internal Revenue Code (relating to collection of
11 tax at source on wages) is amended to read as follows:

1 **“Part II—Collection of Tax at Source on Wages**

2 **“SEC. 465. DEFINITIONS.**

3 **“As used in this part—**

4 **“(a) WAGES.—**The term ‘wages’ means all remunera-
5 tion (other than fees paid to a public official) for services
6 performed by an employee for his employer, including the
7 cash value of all remuneration paid in any medium other
8 than cash; except that such term shall not include remunera-
9 tion paid—

10 **“(1)** for services performed as a member of the
11 military or naval forces of the United States, other than
12 pensions and retired pay included in gross income, or

13 **“(2)** for agricultural labor (as defined in section
14 1426 (h)), or

15 **“(3)** for domestic service in a private home, local
16 college club, or local chapter of a college fraternity or
17 sorority, or

18 **“(4)** for casual labor not in the course of the em-
19 ployer’s trade or business, or

20 **“(5)** for services by a citizen or resident of the
21 United States for a foreign government or for the
22 government of the Commonwealth of the Philippines, or

23 **“(6)** for services performed by a nonresident alien

individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals, or

“(7) for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary, or

“(8) for services for an employer performed by a citizen or resident of the United States while outside the United States (as defined in section 3797 (a) (9)) if the major part of the services for such employer during the calendar year is to be performed outside the United States, or

“(9) for services performed as a minister of the gospel.

For the purpose of paragraph (8) services performed on or in connection with an American vessel (as defined in section 1426 (g)) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in connection with any vessel as an employee of the

1 United States employed through the War Shipping Ad-
2 ministration, shall not constitute services performed outside
3 the United States.

4 “(b) PAYROLL PERIOD.—The term ‘payroll period’
5 means a period for which a payment of wages is ordinarily
6 made to the employee by his employer.

7 “(c) EMPLOYEE.—The term ‘employee’ includes an
8 officer, employee, or elected official of the United States, a
9 State, Territory, or any political subdivision thereof, or the
10 District of Columbia, or any agency or instrumentality of any
11 one or more of the foregoing. The term ‘employee’ also
12 includes an officer of a corporation.

13 “(d) EMPLOYER.—The term ‘employer’ means any
14 person for whom an individual performs or performed any
15 service, of whatever nature, as the employee of such person,
16 except that if the wages paid to an individual are paid by
17 a person other than the person for whom the services are
18 or were performed, the term ‘employer’ (except for the pur-
19 poses of subsection (a)) means the person paying such
20 wages.

21 “(e) SINGLE PERSON.—The term ‘single person’ means
22 a person with respect to whom a withholding exemption
23 certificate is in effect under section 466 (h) stating that

1 such person is single, or is married and not living with hus-
2 band or wife, and is not the head of a family.

3 “(f) MARRIED PERSON.—The term ‘married person’
4 means a person with respect to whom a withholding exemp-
5 tion certificate is in effect under section 466 (h) stating that
6 he is married and living with husband or wife.

7 “(g) MARRIED PERSON CLAIMING ALL OF PERSONAL
8 EXEMPTION FOR WITHHOLDING.—The term ‘married per-
9 son claiming all of personal exemption for withholding’ means
10 a married person with respect to whom a withholding ex-
11 emption certificate is in effect under section 466 (h) stating
12 that for the purposes of this part such person claims all of
13 the personal exemption and that for the purposes of this part
14 his spouse is claiming none of the personal exemption.

15 “(h) MARRIED PERSON CLAIMING HALF OF PERSONAL
16 EXEMPTION FOR WITHHOLDING.—The term ‘married per-
17 son claiming half of the personal exemption for withholding’
18 means a married person with respect to whom a withholding
19 exemption certificate is in effect under section 466 (h) stat-
20 ing that for the purposes of this part such person claims half
21 of the personal exemption.

22 “(i) MARRIED PERSON CLAIMING NONE OF PERSONAL
23 EXEMPTION FOR WITHHOLDING.—The term ‘married person

1 claiming none of the personal exemption for withholding'
 2 means a married person with respect to whom a withholding
 3 exemption certificate is in effect under section 466 (h) mak-
 4 ing no claim with respect to the personal exemption for the
 5 purposes of this part.

6 “(j) HEAD OF FAMILY.—The term ‘head of a family’
 7 means a person with respect to whom a withholding exemp-
 8 tion certificate is in effect under section 466 (h) stating that
 9 he is the head of a family.

10 “(k) DEPENDENT.—The term ‘dependent’ means a per-
 11 son included in a withholding exemption certificate in effect
 12 under section 466 (h) as a person dependent upon and re-
 13 ceiving his chief support from the employee and either under
 14 eighteen years of age or incapable of self support because
 15 mentally or physically defective.

16 **“SEC. 466. TAX COLLECTED AT SOURCE.**

17 “(a) REQUIREMENT OF WITHHOLDING.—Every em-
 18 ployer making payment of wages to any individual shall
 19 withhold and collect upon such wages a tax as follows:

20 “(1) 17 per centum of the excess of each payment
 21 of such wages over the withholding exemption allowable
 22 under subsection (b) (1) (A), and

23 “(2) 3 per centum of the excess of each payment

of such wages over the withholding exemption allowable under subsection (b) (1) (B).

“(b) WITHHOLDING EXEMPTION.—

“(1) In computing the tax required to be withheld under subsection (a), there shall be allowed as an exemption with respect to the wages paid for each payroll period—

“(A) in computing the portion thereof required to be withheld under subsection (a) (1), an amount determined in accordance with the following schedule:

“Payroll Period	Single Person	Married Person Claiming Whole of Personal Exemption for Withholding or Head of Family	Married Person Claiming Half of Personal Exemption for Withholding	Married Person Claiming None of Personal Exemption for Withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly-----	\$11	\$26	\$13	0	\$8
Biweekly-----	\$22	\$52	\$26	0	\$16
Semimonthly----	\$23	\$55	\$27. 50	0	\$17
Monthly-----	\$46	\$110	\$55	0	\$34
Quarterly-----	\$138	\$330	\$165	0	\$102
Semiannual-----	\$276	\$660	\$330	0	\$204
Annual-----	\$552	\$1, 320	\$660	0	\$408
Daily or miscellaneous (per day of such period)-----	\$1. 50	\$3. 60	\$1. 80	0	\$1. 10

1 “(B) in computing the portion thereof re-
 2 quired to be withheld under subsection (a) (2),
 3 an amount determined in accordance with the fol-
 4 lowing schedule:

“Payroll Period	Withholding Exemption
Weekly -----	\$12. 00
Biweekly -----	24. 00
Semimonthly -----	26. 00
Monthly -----	52. 00
Quarterly -----	156. 00
Semiannual -----	312. 00
Annual -----	624. 00
Daily or Miscellaneous (per day of such period) -----	1. 70

5 “(2) If wages are paid with respect to a period
 6 which is not a payroll period, the exemption allowable
 7 with respect to each payment of such wages shall be the
 8 exemption allowed for a miscellaneous payroll period
 9 containing a number of days equal to the number of days
 10 in the period with respect to which such wages are
 11 paid.

12 “(3) In any case in which wages are paid by an
 13 employer without regard to any payroll period or other
 14 period, the exemption allowable with respect to each
 15 payment of such wages shall be the exemption allowed
 16 for a miscellaneous payroll period containing a number

1 of days equal to the number of days (including Sundays
2 and holidays) which have elapsed since the date of the
3 last payment of such wages by such employer during
4 the calendar year, or the date of commencement of em-
5 ployment with such employer during such year, or
6 January 1 of such year, whichever is the later.

7 “(4) In any case in which the period, or the time
8 described in paragraph (3), in respect of any wages is
9 less than one week, at the election of the employer the
10 excess of the aggregate of the wages paid to the em-
11 ployee during the calendar week over the exemption
12 allowed by this subsection for a weekly payroll period
13 may be used in computing the tax required to be with-
14 held.

15 “(c) WAGE BRACKET WITHHOLDING.—

16 “(1) At the election of the employer with respect
17 to any employee, the employer shall deduct and withhold
18 upon the wages paid to such employee a tax determined
19 in accordance with the following tables, which shall be
20 in lieu of the tax required to be withheld under sub-
21 section (a) :

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15	\$0. 30					
15	20	1. 30	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20
20	25	2. 30	. 90	. 30	. 30	. 30	. 30
25	30	3. 30	1. 90	. 50	. 50	. 50	. 50
30	40	4. 80	3. 40	2. 00	. 70	. 70	. 70
40	50	6. 80	5. 40	4. 00	2. 70	1. 30	1. 00
50	60	8. 80	7. 40	6. 00	4. 70	3. 30	2. 00
60	70	10. 80	9. 40	8. 00	6. 70	5. 30	4. 00
70	80	12. 80	11. 40	10. 00	8. 70	7. 30	6. 00
80	90	14. 80	13. 40	12. 00	10. 70	9. 30	8. 00
90	100	16. 80	15. 40	14. 00	12. 70	11. 30	10. 00
100	110	18. 80	17. 40	16. 00	14. 70	13. 30	12. 00
110	120	20. 80	19. 40	18. 00	16. 70	15. 30	14. 00
120	130	22. 80	21. 40	20. 00	18. 70	17. 30	16. 00
130	140	24. 80	23. 40	22. 00	20. 70	19. 30	18. 00
140	150	26. 80	25. 40	24. 00	22. 70	21. 30	20. 00
150	160	28. 80	27. 40	26. 00	24. 70	23. 30	22. 00
160	170	30. 80	29. 40	28. 00	26. 70	25. 30	24. 00
170	180	32. 80	31. 40	30. 00	28. 70	27. 30	26. 00
180	190	34. 80	33. 40	32. 00	30. 70	29. 30	28. 00
190	200	36. 80	35. 40	34. 00	32. 70	31. 30	30. 00
\$200 or over---		20% of the excess over \$200 plus					
		\$37. 80	\$36. 40	\$35. 00	\$33. 70	\$32. 30	\$31. 00

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No de- pendents	One de- pendent	Two de- pendents	Three de- pendents	Four de- pendents	Five de- pendents
The amount to be withheld shall be							
\$0	\$10						
10	15						
15	20	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20
20	25	. 30	. 30	. 30	. 30	. 30	. 30
25	30	. 70	. 50	. 50	. 50	. 50	. 50
30	40	2. 20	. 90	. 70	. 70	. 70	. 70
40	50	4. 20	2. 90	1. 50	1. 00	1. 00	1. 00
50	60	6. 20	4. 90	3. 50	2. 10	1. 30	1. 30
60	70	8. 20	6. 90	5. 50	4. 10	2. 80	1. 60
70	80	10. 20	8. 90	7. 50	6. 10	4. 80	3. 40
80	90	12. 20	10. 90	9. 50	8. 10	6. 80	5. 40
90	100	14. 20	12. 90	11. 50	10. 10	8. 80	7. 40
100	110	16. 20	14. 90	13. 50	12. 10	10. 80	9. 40
110	120	18. 20	16. 90	15. 50	14. 10	12. 80	11. 40
120	130	20. 20	18. 90	17. 50	16. 10	14. 80	13. 40
130	140	22. 20	20. 90	19. 50	18. 10	16. 80	15. 40
140	150	24. 20	22. 90	21. 50	20. 10	18. 80	17. 40
150	160	26. 20	24. 90	23. 50	22. 10	20. 80	19. 40
160	170	28. 20	26. 90	25. 50	24. 10	22. 80	21. 40
170	180	30. 20	28. 90	27. 50	26. 10	24. 80	23. 40
180	190	32. 20	30. 90	29. 50	28. 10	26. 80	25. 40
190	200	34. 20	32. 90	31. 50	30. 10	28. 80	27. 40
\$200 or over ---		20% of the excess over \$200 plus					
		\$35. 20	\$33. 90	\$32. 50	\$31. 10	\$29. 80	\$28. 40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15						
15	20	\$0. 90	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20
20	25	1. 90	. 60	. 30	. 30	. 30	. 30
25	30	2. 90	1. 60	. 50	. 50	. 50	. 50
30	40	4. 40	3. 10	1. 70	. 70	. 70	. 70
40	50	6. 40	5. 10	3. 70	2. 30	1. 00	1. 00
50	60	8. 40	7. 10	5. 70	4. 30	3. 00	1. 60
60	70	10. 40	9. 10	7. 70	6. 30	5. 00	3. 60
70	80	12. 40	11. 10	9. 70	8. 30	7. 00	5. 60
80	90	14. 40	13. 10	11. 70	10. 30	9. 00	7. 60
90	100	16. 40	15. 10	13. 70	12. 30	11. 00	9. 60
100	110	18. 40	17. 10	15. 70	14. 30	13. 00	11. 60
110	120	20. 40	19. 10	17. 70	16. 30	15. 00	13. 60
120	130	22. 40	21. 10	19. 70	18. 30	17. 00	15. 60
130	140	24. 40	23. 10	21. 70	20. 30	19. 00	17. 60
140	150	26. 40	25. 10	23. 70	22. 30	21. 00	19. 60
150	160	28. 40	27. 10	25. 70	24. 30	23. 00	21. 60
160	170	30. 40	29. 10	27. 70	26. 30	25. 00	23. 60
170	180	32. 40	31. 10	29. 70	28. 30	27. 00	25. 60
180	190	34. 40	33. 10	31. 70	30. 30	29. 00	27. 60
190	200	36. 40	35. 10	33. 70	32. 30	31. 00	29. 60
\$200 or over---		20% of the excess over \$200 plus					
		\$37. 40	\$36. 10	\$34. 70	\$33. 30	\$32. 00	\$30. 60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	\$0.80					
10	15	2.10	\$0.80				
15	20	3.10	1.80	\$0.40	\$0.20	\$0.20	\$0.20
20	25	4.10	2.80	1.40	.30	.30	.30
25	30	5.10	3.80	2.40	1.10	.50	.50
30	40	6.60	5.30	3.90	2.60	1.20	.70
40	50	8.60	7.30	5.90	4.60	3.20	1.80
50	60	10.60	9.30	7.90	6.60	5.20	3.80
60	70	12.60	11.30	9.90	8.60	7.20	5.80
70	80	14.60	13.30	11.90	10.60	9.20	7.80
80	90	16.60	15.30	13.90	12.60	11.20	9.80
90	100	18.60	17.30	15.90	14.60	13.20	11.80
100	110	20.60	19.30	17.90	16.60	15.20	13.80
110	120	22.60	21.30	19.90	18.60	17.20	15.80
120	130	24.60	23.30	21.90	20.60	19.20	17.80
130	140	26.60	25.30	23.90	22.60	21.20	19.80
140	150	28.60	27.30	25.90	24.60	23.20	21.80
150	160	30.60	29.30	27.90	26.60	25.20	23.80
160	170	32.60	31.30	29.90	28.60	27.20	25.80
170	180	34.60	33.30	31.90	30.60	29.20	27.80
180	190	36.60	35.30	33.90	32.60	31.20	29.80
190	200	38.60	37.30	35.90	34.60	33.20	31.80
\$200 or over---		20% of the excess over \$200 plus					
		\$39.60	\$38.30	\$36.90	\$35.60	\$34.20	\$32.80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be					
\$0	\$10						
10	15						
15	20	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20
20	25	. 30	. 30	. 30	. 30	. 30	. 30
25	30	. 70	. 70	. 50	. 50	. 50	. 50
30	40	2. 20	2. 20	. 90	. 70	. 70	. 70
40	50	4. 20	4. 20	2. 90	1. 50	1. 00	1. 00
50	60	6. 20	6. 20	4. 90	3. 50	2. 10	1. 30
60	70	8. 20	8. 20	6. 90	5. 50	4. 10	2. 80
70	80	10. 20	10. 20	8. 90	7. 50	6. 10	4. 80
80	90	12. 20	12. 20	10. 90	9. 50	8. 10	6. 80
90	100	14. 20	14. 20	12. 90	11. 50	10. 10	8. 80
100	110	16. 20	16. 20	14. 90	13. 50	12. 10	10. 80
110	120	18. 20	18. 20	16. 90	15. 50	14. 10	12. 80
120	130	20. 20	20. 20	18. 90	17. 50	16. 10	14. 80
130	140	22. 20	22. 20	20. 90	19. 50	18. 10	16. 80
140	150	24. 20	24. 20	22. 90	21. 50	20. 10	18. 80
150	160	26. 20	26. 20	24. 90	23. 50	22. 10	20. 80
160	170	28. 20	28. 20	26. 90	25. 50	24. 10	22. 80
170	180	30. 20	30. 20	28. 90	27. 50	26. 10	24. 80
180	190	32. 20	32. 20	30. 90	29. 50	28. 10	26. 80
190	200	34. 20	34. 20	32. 90	31. 50	30. 10	28. 80
\$200 or over---		20% of the excess over \$200 plus					
		\$35. 20	\$35. 20	\$33. 90	\$32. 50	\$31. 10	\$29. 80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	\$0. 50	-----	-----	-----	-----	-----
30	40	2. 50	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30
40	50	4. 50	1. 80	. 60	. 60	. 60	. 60
50	60	6. 50	3. 80	1. 10	. 90	. 90	. 90
60	80	9. 50	6. 80	4. 10	1. 40	1. 40	1. 40
80	100	13. 50	10. 80	8. 10	5. 40	2. 70	2. 00
100	120	17. 50	14. 80	12. 10	9. 40	6. 70	3. 90
120	140	21. 50	18. 80	16. 10	13. 40	10. 70	7. 90
140	160	25. 50	22. 80	20. 10	17. 40	14. 70	11. 90
160	180	29. 50	26. 80	24. 10	21. 40	18. 70	15. 90
180	200	33. 50	30. 80	28. 10	25. 40	22. 70	19. 90
200	220	37. 50	34. 80	32. 10	29. 40	26. 70	23. 90
220	240	41. 50	38. 80	36. 10	33. 40	30. 70	27. 90
240	260	45. 50	42. 80	40. 10	37. 40	34. 70	31. 90
260	280	49. 50	46. 80	44. 10	41. 40	38. 70	35. 90
280	300	53. 50	50. 80	48. 10	45. 40	42. 70	39. 90
300	320	57. 50	54. 80	52. 10	49. 40	46. 70	43. 90
320	340	61. 50	58. 80	56. 10	53. 40	50. 70	47. 90
340	360	65. 50	62. 80	60. 10	57. 40	54. 70	51. 90
360	380	69. 50	66. 80	64. 10	61. 40	58. 70	55. 90
380	400	73. 50	70. 80	68. 10	65. 40	62. 70	59. 90
\$400 or over---		20% of the excess over \$400 plus					
		\$75. 50	\$72. 80	\$70. 10	\$67. 40	\$64. 70	\$61. 90

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No de- pendents	One de- pendent	Two de- pendents	Three de- pendents	Four de- pendents	Five de- pendents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	-----	-----	-----	-----	-----	-----
30	40	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30
40	50	. 60	. 60	. 60	. 60	. 60	. 60
50	60	1. 40	. 90	. 90	. 90	. 90	. 90
60	80	4. 40	1. 70	1. 40	1. 40	1. 40	1. 40
80	100	8. 40	5. 70	3. 00	2. 00	2. 00	2. 00
100	120	12. 40	9. 70	7. 00	4. 30	2. 60	2. 60
120	140	16. 40	13. 70	11. 00	8. 30	5. 60	3. 20
140	160	20. 40	17. 70	15. 00	12. 30	9. 60	6. 80
160	180	24. 40	21. 70	19. 00	16. 30	13. 60	10. 80
180	200	28. 40	25. 70	23. 00	20. 30	17. 60	14. 80
200	220	32. 40	29. 70	27. 00	24. 30	21. 60	18. 80
220	240	36. 40	33. 70	31. 00	28. 30	25. 60	22. 80
240	260	40. 40	37. 70	35. 00	32. 30	29. 60	26. 80
260	280	44. 40	41. 70	39. 00	36. 30	33. 60	30. 80
280	300	48. 40	45. 70	43. 00	40. 30	37. 60	34. 80
300	320	52. 40	49. 70	47. 00	44. 30	41. 60	38. 80
320	340	56. 40	53. 70	51. 00	48. 30	45. 60	42. 80
340	360	60. 40	57. 70	55. 00	52. 30	49. 60	46. 80
360	380	64. 40	61. 70	59. 00	56. 30	53. 60	50. 80
380	400	68. 40	65. 70	63. 00	60. 30	57. 60	54. 80
\$400 or over---		20% of the excess over \$400 plus					
		\$70. 40	\$67. 70	\$65. 00	\$62. 30	\$59. 60	\$56. 80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be					
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	-----	-----	-----	-----	-----	-----
30	40	\$1. 90	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30
40	50	3. 90	1. 10	. 60	. 60	. 60	. 60
50	60	5. 90	3. 10	. 90	. 90	. 90	. 90
60	80	8. 90	6. 10	3. 40	1. 40	1. 40	1. 40
80	100	12. 90	10. 10	7. 40	4. 70	2. 00	2. 00
100	120	16. 90	14. 10	11. 40	8. 70	6. 00	3. 30
120	140	20. 90	18. 10	15. 40	12. 70	10. 00	7. 30
140	160	24. 90	22. 10	19. 40	16. 70	14. 00	11. 30
160	180	28. 90	26. 10	23. 40	20. 70	18. 00	15. 30
180	200	32. 90	30. 10	27. 40	24. 70	22. 00	19. 30
200	220	36. 90	34. 10	31. 40	28. 70	26. 00	23. 30
220	240	40. 90	38. 10	35. 40	32. 70	30. 00	27. 30
240	260	44. 90	42. 10	39. 40	36. 70	34. 00	31. 30
260	280	48. 90	46. 10	43. 40	40. 70	38. 00	35. 30
280	300	52. 90	50. 10	47. 40	44. 70	42. 00	39. 30
300	320	56. 90	54. 10	51. 40	48. 70	46. 00	43. 30
320	340	60. 90	58. 10	55. 40	52. 70	50. 00	47. 30
340	360	64. 90	62. 10	59. 40	56. 70	54. 00	51. 30
360	380	68. 90	66. 10	63. 40	60. 70	58. 00	55. 30
380	400	72. 90	70. 10	67. 40	64. 70	62. 00	59. 30
\$400 or over --		20% of the excess over \$400 plus					
		\$74. 90	\$72. 10	\$69. 40	\$66. 70	\$64. 00	\$61. 30

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	\$1.70	-----	-----	-----	-----	-----
20	30	4.30	\$1.60	-----	-----	-----	-----
30	40	6.30	3.60	\$0.80	\$0.30	\$0.30	\$0.30
40	50	8.30	5.60	2.80	.60	.60	.60
50	60	10.30	7.60	4.80	2.10	.90	.90
60	80	13.30	10.60	7.80	5.10	2.40	1.40
80	100	17.30	14.60	11.80	9.10	6.40	3.70
100	120	21.30	18.60	15.80	13.10	10.40	7.70
120	140	25.30	22.60	19.80	17.10	14.40	11.70
140	160	29.30	26.60	23.80	21.10	18.40	15.70
160	180	33.30	30.60	27.80	25.10	22.40	19.70
180	200	37.30	34.60	31.80	29.10	26.40	23.70
200	220	41.30	38.60	35.80	33.10	30.40	27.70
220	240	45.30	42.60	39.80	37.10	34.40	31.70
240	260	49.30	46.60	43.80	41.10	38.40	35.70
260	280	53.30	50.60	47.80	45.10	42.40	39.70
280	300	57.30	54.60	51.80	49.10	46.40	43.70
300	320	61.30	58.60	55.80	53.10	50.40	47.70
320	340	65.30	62.60	59.80	57.10	54.40	51.70
340	360	69.30	66.60	63.80	61.10	58.40	55.70
360	380	73.30	70.60	67.80	65.10	62.40	59.70
380	400	77.30	74.60	71.80	69.10	66.40	63.70
\$400 or over---		20% of the excess over \$200 plus					
		\$79.30	\$76.60	\$73.80	\$71.10	\$68.40	\$65.70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is the head of a family and has					
At least	But less than	No de- pendents	One de- pendent	Two de- pendents	Three de- pendents	Four de- pendents	Five de- pendents
		The amount to be withheld shall be					
\$0	\$20						
20	30						
30	40	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30
40	50	. 60	. 60	. 60	. 60	. 60	. 60
50	60	1. 40	1. 40	. 90	. 90	. 90	. 90
60	80	4. 40	4. 40	1. 70	1. 40	1. 40	1. 40
80	100	8. 40	8. 40	5. 70	3. 00	2. 00	2. 00
100	120	12. 40	12. 40	9. 70	7. 00	4. 30	2. 60
120	140	16. 40	16. 40	13. 70	11. 00	8. 30	5. 60
140	160	20. 40	20. 40	17. 70	15. 00	12. 30	9. 60
160	180	24. 40	24. 40	21. 70	19. 00	16. 30	13. 60
180	200	28. 40	28. 40	25. 70	23. 00	20. 30	17. 60
200	220	32. 40	32. 40	29. 70	27. 00	24. 30	21. 60
220	240	36. 40	36. 40	33. 70	31. 00	28. 30	25. 60
240	260	40. 40	40. 40	37. 70	35. 00	32. 30	29. 60
260	280	44. 40	44. 40	41. 70	39. 00	36. 30	33. 60
280	300	48. 40	48. 40	45. 70	43. 00	40. 30	37. 60
300	320	52. 40	52. 40	49. 70	47. 00	44. 30	41. 60
320	340	56. 40	56. 40	53. 70	51. 00	48. 30	45. 60
340	360	60. 40	60. 40	57. 70	55. 00	52. 30	49. 60
360	380	64. 40	64. 40	61. 70	59. 00	56. 30	53. 60
380	400	68. 40	68. 40	65. 70	63. 00	60. 30	57. 60
\$400 or over ---		20% of the excess over \$400 plus					
		\$70. 40	\$70. 40	\$67. 70	\$65. 00	\$62. 30	\$59. 60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	\$0. 30	-----	-----	-----	-----	-----
30	40	2. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30
40	50	4. 30	1. 40	. 60	. 60	. 60	. 60
50	60	6. 30	3. 40	. 90	. 90	. 90	. 90
60	80	9. 30	6. 40	3. 50	1. 30	1. 30	1. 30
80	100	13. 30	10. 40	7. 50	4. 60	1. 90	1. 90
100	120	17. 30	14. 40	11. 50	8. 60	5. 70	2. 90
120	140	21. 30	18. 40	15. 50	12. 60	9. 70	6. 90
140	160	25. 30	22. 40	19. 50	16. 60	13. 70	10. 90
160	180	29. 30	26. 40	23. 50	20. 60	17. 70	14. 90
180	200	33. 30	30. 40	27. 50	24. 60	21. 70	18. 90
200	220	37. 30	34. 40	31. 50	28. 60	25. 70	22. 90
220	240	41. 30	38. 40	35. 50	32. 60	29. 70	26. 90
240	260	45. 30	42. 40	39. 50	36. 60	33. 70	30. 90
260	280	49. 30	46. 40	43. 50	40. 60	37. 70	34. 90
280	300	53. 30	50. 40	47. 50	44. 60	41. 70	38. 90
300	320	57. 30	54. 40	51. 50	48. 60	45. 70	42. 90
320	340	61. 30	58. 40	55. 50	52. 60	49. 70	46. 90
340	360	65. 30	62. 40	59. 50	56. 60	53. 70	50. 90
360	380	69. 30	66. 40	63. 50	60. 60	57. 70	54. 90
380	400	73. 30	70. 40	67. 50	64. 60	61. 70	58. 90
\$400 or over---		20% of the excess over \$400 plus					
		\$75. 30	\$72. 40	\$69. 50	\$66. 60	\$63. 70	\$60. 90

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	.90	.90	.90	.90	.90	.90
60	80	3.90	1.30	1.30	1.30	1.30	1.30
80	100	7.90	5.00	2.10	1.90	1.90	1.90
100	120	11.90	9.00	6.10	3.20	2.50	2.50
120	140	15.90	13.00	10.10	7.20	4.30	3.10
140	160	19.90	17.00	14.10	11.20	8.30	5.40
160	180	23.90	21.00	18.10	15.20	12.30	9.40
180	200	27.90	25.00	22.10	19.20	16.30	13.40
200	220	31.90	29.00	26.10	23.20	20.30	17.40
220	240	35.90	33.00	30.10	27.20	24.30	21.40
240	260	39.90	37.00	34.10	31.20	28.30	25.40
260	280	43.90	41.00	38.10	35.20	32.30	29.40
280	300	47.90	45.00	42.10	39.20	36.30	33.40
300	320	51.90	49.00	46.10	43.20	40.30	37.40
320	340	55.90	53.00	50.10	47.20	44.30	41.40
340	360	59.90	57.00	54.10	51.20	48.30	45.40
360	380	63.90	61.00	58.10	55.20	52.30	49.40
380	400	67.90	65.00	62.10	59.20	56.30	53.40
\$400 or over---		20% of the excess over \$400 plus					
		\$69.90	\$67.00	\$64.10	\$61.20	\$58.30	\$55.40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No de- pendents	One de- pendent	Two de- pendents	Three de- pendents	Four de- pendents	Five de- pendents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$1. 50	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30
40	50	3. 50	. 60	. 60	. 60	. 60	. 60
50	60	5. 50	2. 60	. 90	. 90	. 90	. 90
60	80	8. 50	5. 60	2. 80	1. 30	1. 30	1. 30
80	100	12. 50	9. 60	6. 80	3. 90	1. 90	1. 90
100	120	16. 50	13. 60	10. 80	7. 90	5. 00	2. 50
120	140	20. 50	17. 60	14. 80	11. 90	9. 00	6. 10
140	160	24. 50	21. 60	18. 80	15. 90	13. 00	10. 10
160	180	28. 50	25. 60	22. 80	19. 90	17. 00	14. 10
180	200	32. 50	29. 60	26. 80	23. 90	21. 00	18. 10
200	220	36. 50	33. 60	30. 80	27. 90	25. 00	22. 10
220	240	40. 50	37. 60	34. 80	31. 90	29. 00	26. 10
240	260	44. 50	41. 60	38. 80	35. 90	33. 00	30. 10
260	280	48. 50	45. 60	42. 80	39. 90	37. 00	34. 10
280	300	52. 50	49. 60	46. 80	43. 90	41. 00	38. 10
300	320	56. 50	53. 60	50. 80	47. 90	45. 00	42. 10
320	340	60. 50	57. 60	54. 80	51. 90	49. 00	46. 10
340	360	64. 50	61. 60	58. 80	55. 90	53. 00	50. 10
360	380	68. 50	65. 60	62. 80	59. 90	57. 00	54. 10
380	400	72. 50	69. 60	66. 80	63. 90	61. 00	58. 10
\$400 or over ---		20% of the excess over \$400 plus					
		\$74. 50	\$71. 60	\$68. 80	\$65. 90	\$63. 00	\$60. 10

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	\$1. 70	-----	-----	-----	-----	-----
20	30	4. 20	\$1. 40	-----	-----	-----	-----
30	40	6. 20	3. 30	\$0. 40	\$0. 30	\$0. 30	\$0. 30
40	50	8. 20	5. 30	2. 40	. 60	. 60	. 60
50	60	10. 20	7. 30	4. 40	1. 50	. 90	. 90
60	80	13. 20	10. 30	7. 40	4. 50	1. 70	1. 30
80	100	17. 20	14. 30	11. 40	8. 50	5. 70	2. 80
100	120	21. 20	18. 30	15. 40	12. 50	9. 70	6. 80
120	140	25. 20	22. 30	19. 40	16. 50	13. 70	10. 80
140	160	29. 20	26. 30	23. 40	20. 50	17. 70	14. 80
160	180	33. 20	30. 30	27. 40	24. 50	21. 70	18. 80
180	200	37. 20	34. 30	31. 40	28. 50	25. 70	22. 80
200	220	41. 20	38. 30	35. 40	32. 50	29. 70	26. 80
220	240	45. 20	42. 30	39. 40	36. 50	33. 70	30. 80
240	260	49. 20	46. 30	43. 40	40. 50	37. 70	34. 80
260	280	53. 20	50. 30	47. 40	44. 50	41. 70	38. 80
280	300	57. 20	54. 30	51. 40	48. 50	45. 70	42. 80
300	320	61. 20	58. 30	55. 40	52. 50	49. 70	46. 80
320	340	65. 20	62. 30	59. 40	56. 50	53. 70	50. 80
340	360	69. 20	66. 30	63. 40	60. 50	57. 70	54. 80
360	380	73. 20	70. 30	67. 40	64. 50	61. 70	58. 80
380	400	77. 20	74. 30	71. 40	68. 50	65. 70	62. 80
\$400 or over---		20% of the excess over \$400 plus					
		\$79. 20	\$76. 30	\$73. 40	\$70. 50	\$67. 70	\$64. 80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	.90	.90	.90	.90	.90	.90
60	80	3.90	3.90	1.30	1.30	1.30	1.30
80	100	7.90	7.90	5.00	2.10	1.90	1.90
100	120	11.90	11.90	9.00	6.10	3.20	2.50
120	140	15.90	15.90	13.00	10.10	7.20	4.30
140	160	19.90	19.90	17.00	14.10	11.20	8.30
160	180	23.90	23.90	21.00	18.10	15.20	12.30
180	200	27.90	27.90	25.00	22.10	19.20	16.30
200	220	31.90	31.90	29.00	26.10	23.20	20.30
220	240	35.90	35.90	33.00	30.10	27.20	24.30
240	260	39.90	39.90	37.00	34.10	31.20	28.30
260	280	43.90	43.90	41.00	38.10	35.20	32.30
280	300	47.90	47.90	45.00	42.10	39.20	36.30
300	320	51.90	51.90	49.00	46.10	43.20	40.30
320	340	55.90	55.90	53.00	50.10	47.20	44.30
340	360	59.90	59.90	57.00	54.10	51.20	48.30
360	380	63.90	63.90	61.00	58.10	55.20	52.30
380	400	67.90	67.90	65.00	62.10	59.20	56.30
\$400 or over---		20% of the excess over \$400 plus					
		\$69.90	\$69.90	\$67.00	\$64.10	\$61.20	\$58.30

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	-----	-----	-----	-----	-----	-----
40	50	-----	-----	-----	-----	-----	-----
50	60	\$1. 60	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10
60	70	3. 60	. 40	. 40	. 40	. 40	. 40
70	80	5. 60	. 70	. 70	. 70	. 70	. 70
80	100	8. 60	2. 80	1. 10	1. 10	1. 10	1. 10
100	120	12. 60	6. 80	1. 70	1. 70	1. 70	1. 70
120	140	16. 60	10. 80	5. 10	2. 30	2. 30	2. 30
140	160	20. 60	14. 80	9. 10	3. 30	2. 90	2. 90
160	200	26. 60	20. 80	15. 10	9. 30	3. 80	3. 80
200	240	34. 60	28. 80	23. 10	17. 30	11. 50	5. 70
240	280	42. 60	36. 80	31. 10	25. 30	19. 50	13. 70
280	320	50. 60	44. 80	39. 10	33. 30	27. 50	21. 70
320	360	58. 60	52. 80	47. 10	41. 30	35. 50	29. 70
360	400	66. 60	60. 80	55. 10	49. 30	43. 50	37. 70
400	440	74. 60	68. 80	63. 10	57. 30	51. 50	45. 70
440	480	82. 60	76. 80	71. 10	65. 30	59. 50	53. 70
480	520	90. 60	84. 80	79. 10	73. 30	67. 50	61. 70
520	560	98. 60	92. 80	87. 10	81. 30	75. 50	69. 70
560	600	106. 60	100. 80	95. 10	89. 30	83. 50	77. 70
600	640	114. 60	108. 80	103. 10	97. 30	91. 50	85. 70
640	680	122. 60	116. 80	111. 10	105. 30	99. 50	93. 70
680	720	130. 60	124. 80	119. 10	113. 30	107. 50	101. 70
720	760	138. 60	132. 80	127. 10	121. 30	115. 50	109. 70
760	800	146. 60	140. 80	135. 10	129. 30	123. 50	117. 70
\$800 or over---		20% of the excess over \$800 plus					
		\$150. 60	\$144. 80	\$139. 10	\$133. 30	\$127. 50	\$121. 70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10
60	70	. 40	. 40	. 40	. 40	. 40	. 40
70	80	. 70	. 70	. 70	. 70	. 70	. 70
80	100	1. 10	1. 10	1. 10	1. 10	1. 10	1. 10
100	120	1. 70	1. 70	1. 70	1. 70	1. 70	1. 70
120	140	5. 70	2. 30	2. 30	2. 30	2. 30	2. 30
140	160	9. 70	4. 00	2. 90	2. 90	2. 90	2. 90
160	200	15. 70	10. 00	4. 20	3. 80	3. 80	3. 80
200	240	23. 70	18. 00	12. 20	6. 40	5. 00	5. 00
240	280	31. 70	26. 00	20. 20	14. 40	8. 60	6. 20
280	320	39. 70	34. 00	28. 20	22. 40	16. 60	10. 80
320	360	47. 70	42. 00	36. 20	30. 40	24. 60	18. 80
360	400	55. 70	50. 00	44. 20	38. 40	32. 60	26. 80
400	440	63. 70	58. 00	52. 20	46. 40	40. 60	34. 80
440	480	71. 70	66. 00	60. 20	54. 40	48. 60	42. 80
480	520	79. 70	74. 00	68. 20	62. 40	56. 60	50. 80
520	560	87. 70	82. 00	76. 20	70. 40	64. 60	58. 80
560	600	95. 70	90. 00	84. 20	78. 40	72. 60	66. 80
600	640	103. 70	98. 00	92. 20	86. 40	80. 60	74. 80
640	680	111. 70	106. 00	100. 20	94. 40	88. 60	82. 80
680	720	119. 70	114. 00	108. 20	102. 40	96. 60	90. 80
720	760	127. 70	122. 00	116. 20	110. 40	104. 60	98. 80
760	800	135. 70	130. 00	124. 20	118. 40	112. 60	106. 80
\$800 or over ----		20% of the excess over \$800 plus					
		\$139. 70	\$134. 00	\$128. 20	\$122. 40	\$116. 60	\$110. 80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	-----	-----	-----	-----	-----	-----
40	50	-----	-----	-----	-----	-----	-----
50	60	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10
60	70	2. 10	. 40	. 40	. 40	. 40	. 40
70	80	4. 10	. 70	. 70	. 70	. 70	. 70
80	100	7. 10	1. 30	1. 10	1. 10	1. 10	1. 10
100	120	11. 10	5. 30	1. 70	1. 70	1. 70	1. 70
120	140	15. 10	9. 30	3. 50	2. 30	2. 30	2. 30
140	160	19. 10	13. 30	7. 50	2. 90	2. 90	2. 90
160	200	25. 10	19. 30	13. 50	7. 70	3. 80	3. 80
200	240	33. 10	27. 30	21. 50	15. 70	10. 00	5. 00
240	280	41. 10	35. 30	29. 50	23. 70	18. 00	12. 20
280	320	49. 10	43. 30	37. 50	31. 70	26. 00	20. 20
320	360	57. 10	51. 30	45. 50	39. 70	34. 00	28. 20
360	400	65. 10	59. 30	53. 50	47. 70	42. 00	36. 20
400	440	73. 10	67. 30	61. 50	55. 70	50. 00	44. 20
440	480	81. 10	75. 30	69. 50	63. 70	58. 00	52. 20
480	520	89. 10	83. 30	77. 50	71. 70	66. 00	60. 20
520	560	97. 10	91. 30	85. 50	79. 70	74. 00	68. 20
560	600	105. 10	99. 30	93. 50	87. 70	82. 00	76. 20
600	640	113. 10	107. 30	101. 50	95. 70	90. 00	84. 20
640	680	121. 10	115. 30	109. 50	103. 70	98. 00	92. 20
680	720	129. 10	123. 30	117. 50	111. 70	106. 00	100. 20
720	760	137. 10	131. 30	125. 50	119. 70	114. 00	108. 20
760	800	145. 10	139. 30	133. 50	127. 70	122. 00	116. 20
\$800 or over ---		20% of the excess over \$800 plus					
		\$149. 10	\$143. 30	\$137. 50	\$131. 70	\$126. 00	\$120. 20

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	\$3. 40					
40	50	7. 60	\$1. 90				
50	60	9. 40	3. 70	\$0. 10	\$0. 10	\$0. 10	\$0. 10
60	70	11. 40	5. 70	. 40	. 40	. 40	. 40
70	80	13. 40	7. 70	1. 90	. 70	. 70	. 70
80	100	16. 40	10. 70	4. 90	1. 10	1. 10	1. 10
100	120	20. 40	14. 70	8. 90	3. 10	1. 70	1. 70
120	140	24. 40	18. 70	12. 90	7. 10	2. 30	2. 30
140	160	28. 40	22. 70	16. 90	11. 10	5. 30	2. 90
160	200	34. 40	28. 70	22. 90	17. 10	11. 30	5. 50
200	240	42. 40	36. 70	30. 90	25. 10	19. 30	13. 50
240	280	50. 40	44. 70	38. 90	33. 10	27. 30	21. 50
280	320	58. 40	52. 70	46. 90	41. 10	35. 30	29. 50
320	360	66. 40	60. 70	54. 90	49. 10	43. 30	37. 50
360	400	74. 40	68. 70	62. 90	57. 10	51. 30	45. 50
400	440	82. 40	76. 70	70. 90	65. 10	59. 30	53. 50
440	480	90. 40	84. 70	78. 90	73. 10	67. 30	61. 50
480	520	98. 40	92. 70	86. 90	81. 10	75. 30	69. 50
520	560	106. 40	100. 70	94. 90	89. 10	83. 30	77. 50
560	600	114. 40	108. 70	102. 90	97. 10	91. 30	85. 50
600	640	122. 40	116. 70	110. 90	105. 10	99. 30	93. 50
640	680	130. 40	124. 70	118. 90	113. 10	107. 30	101. 50
680	720	138. 40	132. 70	126. 90	121. 10	115. 30	109. 50
720	760	146. 40	140. 70	134. 90	129. 10	123. 30	117. 50
760	800	154. 40	148. 70	142. 90	137. 10	131. 30	125. 50
\$800 or over---		20% of the excess over \$800 plus					
		\$158. 40	\$152. 70	\$146. 90	\$141. 10	\$135. 30	\$129. 50

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is the head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10
60	70	. 40	. 40	. 40	. 40	. 40	. 40
70	80	. 70	. 70	. 70	. 70	. 70	. 70
80	100	1. 10	1. 10	1. 10	1. 10	1. 10	1. 10
100	120	1. 70	1. 70	1. 70	1. 70	1. 70	1. 70
120	140	5. 70	5. 70	2. 30	2. 30	2. 30	2. 30
140	160	9. 70	9. 70	4. 00	2. 90	2. 90	2. 90
160	200	15. 70	15. 70	10. 00	4. 20	3. 80	3. 80
200	240	23. 70	23. 70	18. 00	12. 20	6. 40	5. 00
240	280	31. 70	31. 70	26. 00	20. 20	14. 40	8. 60
280	320	39. 70	39. 70	34. 00	28. 20	22. 40	16. 60
320	360	47. 70	47. 70	42. 00	36. 20	30. 40	24. 60
360	400	55. 70	55. 70	50. 00	44. 20	38. 40	32. 60
400	440	63. 70	63. 70	58. 00	52. 20	46. 40	40. 60
440	480	71. 70	71. 70	66. 00	60. 20	54. 40	48. 60
480	520	79. 70	79. 70	74. 00	68. 20	62. 40	56. 60
520	560	87. 70	87. 70	82. 00	76. 20	70. 40	64. 60
560	600	95. 70	95. 70	90. 00	84. 20	78. 40	72. 60
600	640	103. 70	103. 70	98. 00	92. 20	86. 40	80. 60
640	680	111. 70	111. 70	106. 00	100. 20	94. 40	88. 60
680	720	119. 70	119. 70	114. 00	108. 20	102. 40	96. 60
720	760	127. 70	127. 70	122. 00	116. 20	110. 40	104. 60
760	800	135. 70	135. 70	130. 00	124. 20	118. 40	112. 60
\$800 or over...		20% of the excess over \$800 plus					
		\$139. 70	\$139. 70	\$134. 00	\$128. 20	\$122. 40	\$116. 60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	\$0.20	-----	-----	-----	-----	-----
3	4	.40	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.60	.40	.20	.10	.10	.10
5	6	.80	.60	.40	.25	.10	.10
6	7	1.00	.80	.60	.45	.25	.15
7	8	1.20	1.00	.80	.65	.45	.25
8	9	1.40	1.20	1.00	.85	.65	.45
9	10	1.60	1.40	1.20	1.05	.85	.65
10	12	1.90	1.70	1.50	1.35	1.15	.95
12	14	2.30	2.10	1.90	1.75	1.55	1.35
14	16	2.70	2.50	2.30	2.15	1.95	1.75
16	18	3.10	2.90	2.70	2.55	2.35	2.15
18	20	3.50	3.30	3.10	2.95	2.75	2.55
20	22	3.90	3.70	3.50	3.35	3.15	2.95
22	24	4.30	4.10	3.90	3.75	3.55	3.35
24	26	4.70	4.50	4.30	4.15	3.95	3.75
26	28	5.10	4.90	4.70	4.55	4.35	4.15
28	30	5.50	5.30	5.10	4.95	4.75	4.55
\$30 and over---		20% of excess over \$30 plus					
		\$5.70	\$5.50	\$5.30	\$5.15	\$4.95	\$4.75

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	-----	-----	-----	-----	-----	-----
3	4	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.25	.10	.10	.10	.10	.10
5	6	.45	.25	.10	.10	.10	.10
6	7	.65	.45	.25	.15	.15	.15
7	8	.85	.65	.45	.30	.15	.15
8	9	1.05	.85	.65	.50	.30	.20
9	10	1.25	1.05	.85	.70	.50	.30
10	12	1.55	1.35	1.15	1.00	.80	.60
12	14	1.95	1.75	1.55	1.40	1.20	1.00
14	16	2.35	2.15	1.95	1.80	1.60	1.40
16	18	2.75	2.55	2.35	2.20	2.00	1.80
18	20	3.15	2.95	2.75	2.60	2.40	2.20
20	22	3.55	3.35	3.15	3.00	2.80	2.60
22	24	3.95	3.75	3.55	3.40	3.20	3.00
24	26	4.35	4.15	3.95	3.80	3.60	3.40
26	28	4.75	4.55	4.35	4.20	4.00	3.80
28	30	5.15	4.95	4.75	4.60	4.40	4.20
\$30 and over---		20% of excess over \$30 plus					
		\$5.35	\$5.15	\$4.95	\$4.80	\$4.60	\$4.40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	\$0. 15	-----	-----	-----	-----	-----
3	4	. 35	\$0. 15	\$0. 05	\$0. 05	\$0. 05	\$0. 05
4	5	. 55	. 35	. 15	. 10	. 10	. 10
5	6	. 75	. 55	. 35	. 20	. 10	. 10
6	7	. 95	. 75	. 55	. 40	. 20	. 15
7	8	1. 15	. 95	. 75	. 60	. 40	. 20
8	9	1. 35	1. 15	. 95	. 80	. 60	. 40
9	10	1. 55	1. 35	1. 15	1. 00	. 80	. 60
10	12	1. 85	1. 65	1. 45	1. 30	1. 10	. 90
12	14	2. 25	2. 05	1. 85	1. 70	1. 50	1. 30
14	16	2. 65	2. 45	2. 25	2. 10	1. 90	1. 70
16	18	3. 05	2. 85	2. 65	2. 50	2. 30	2. 10
18	20	3. 45	3. 25	3. 05	2. 90	2. 70	2. 50
20	22	3. 85	3. 65	3. 45	3. 30	3. 10	2. 90
22	24	4. 25	4. 05	3. 85	3. 70	3. 50	3. 30
24	26	4. 65	4. 45	4. 25	4. 10	3. 90	3. 70
26	28	5. 05	4. 85	4. 65	4. 50	4. 30	4. 10
28	30	5. 45	5. 25	5. 05	4. 90	4. 70	4. 50
\$30 and over---		20% of excess over \$30 plus					
		\$5. 65	\$5. 45	\$5. 25	\$5. 10	\$4. 90	\$4. 70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1	\$0. 10					
1	2	. 25	\$0. 05				
2	3	. 45	. 25	\$0. 05			
3	4	. 65	. 45	. 25	\$0. 05	\$0. 05	\$0. 05
4	5	. 85	. 65	. 45	. 30	. 10	. 10
5	6	1. 05	. 85	. 65	. 50	. 30	. 10
6	7	1. 25	1. 05	. 85	. 70	. 50	. 30
7	8	1. 45	1. 25	1. 05	. 90	. 70	. 50
8	9	1. 65	1. 45	1. 25	1. 10	. 90	. 70
9	10	1. 85	1. 65	1. 45	1. 30	1. 10	. 90
10	12	2. 15	1. 95	1. 75	1. 60	1. 40	1. 20
12	14	2. 55	2. 35	2. 15	2. 00	1. 80	1. 60
14	16	2. 95	2. 75	2. 55	2. 40	2. 20	2. 00
16	18	3. 35	3. 15	2. 95	2. 80	2. 60	2. 40
18	20	3. 75	3. 55	3. 35	3. 20	3. 00	2. 80
20	22	4. 15	3. 95	3. 75	3. 60	3. 40	3. 20
22	24	4. 55	4. 35	4. 15	4. 00	3. 80	3. 60
24	26	4. 95	4. 75	4. 55	4. 40	4. 20	4. 00
26	28	5. 35	5. 15	4. 95	4. 80	4. 60	4. 40
28	30	5. 75	5. 55	5. 35	5. 20	5. 00	4. 80
\$30 and over---		20% of excess over \$30 plus					
		\$5. 95	\$5. 75	\$5. 55	\$5. 40	\$5. 20	\$5. 00

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is head of a family and has					
At least	But less than	No dependents.	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	-----	-----	-----	-----	-----	-----
3	4	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.25	.25	.10	.10	.10	.10
5	6	.45	.45	.25	.10	.10	.10
6	7	.65	.65	.45	.25	.15	.15
7	8	.85	.85	.65	.45	.30	.15
8	9	1.05	1.05	.85	.65	.50	.30
9	10	1.25	1.25	1.05	.85	.70	.50
10	12	1.55	1.55	1.35	1.15	1.00	.80
12	14	1.95	1.95	1.75	1.55	1.40	1.20
14	16	2.35	2.35	2.15	1.95	1.80	1.60
16	18	2.75	2.75	2.55	2.35	2.20	2.00
18	20	3.15	3.15	2.95	2.75	2.60	2.40
20	22	3.55	3.55	3.35	3.15	3.00	2.80
22	24	3.95	3.95	3.75	3.55	3.40	3.20
24	26	4.35	4.35	4.15	3.95	3.80	3.60
26	28	4.75	4.75	4.55	4.35	4.20	4.00
28	30	5.15	5.15	4.95	4.75	4.60	4.40
\$30 and over---		20% of excess over \$30 plus					
		\$5.35	\$5.35	\$5.15	\$4.95	\$4.80	\$4.60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

1 “(2) If wages are paid with respect to a period
2 which is not a payroll period, the amount to be withheld
3 shall be that applicable in the case of a miscellaneous
4 payroll period containing a number of days equal to the
5 number of days in the period with respect to which such
6 wages are paid.

7 “(3) In any case in which wages are paid by an
8 employer without regard to any payroll period or other
9 period, the amount to be withheld shall be that appli-
10 cable in the case of a miscellaneous payroll period con-
11 taining a number of days equal to the number of days
12 (including Sundays and holidays) which have elapsed
13 since the date of the last payment of such wages by such
14 employer during the calendar year, or the date of com-
15 mencement of employment with such employer during
16 such year, or January 1 of such year, whichever is the
17 later.

18 “(4) In any case in which the period, or the time
19 described in paragraph (3), in respect of any wages is
20 less than one week, at the election of the employer the
21 amount to be withheld shall be determined under the
22 tables applicable in the case of a weekly payroll period,
23 and for such purpose the aggregate of the wages paid to
24 the employee during the calendar week shall be con-
25 sidered the weekly wages.

1 “(d) TAX PAID BY RECIPIENT.—If all of the taxes
2 against which the tax required to be withheld and collected
3 under this part may be credited have been paid, the tax so
4 required to be withheld, collected, and paid by the employer
5 shall not be collected from the employer; but payment of
6 such taxes shall in no case relieve the employer from lia-
7 bility for additions to the tax otherwise applicable in respect
8 of the tax imposed by this chapter.

9 “(e) CREDIT FOR TAX WITHHELD AT SOURCE.—The
10 tax withheld and deducted under this part shall not be allowed
11 as a deduction either to the employer or to the recipient of
12 the income in computing net income; but the amount with-
13 held and deducted as tax under this part during any calendar
14 year upon the wages of any individual shall be allowed as a
15 credit to the recipient of the income against the tax imposed
16 by sections 11 and 12, or section 400, as the case may be,
17 and section 450 (adjusted for the credit allowed by section
18 453) for taxable years beginning in such calendar year.

19 “(f) REFUNDS.—Where there has been an overpay-
20 ment of tax under this part, any refund or credit made under
21 section 322 shall be made to the employer to the extent that
22 the amount of such overpayment was not withheld and
23 collected under this part by the employer.

24 “(g) INCLUDED AND EXCLUDED WAGES.—If the re-
25 munerated paid by an employer to an employee for services

1 performed during one-half or more of any payroll period
2 of not more than thirty-one consecutive days constitutes
3 wages, all the remuneration paid by such employer to such
4 employee for such period shall be deemed to be wages; but
5 if the remuneration paid by an employer to an employee for
6 services performed during more than one-half of any such
7 payroll period does not constitute wages, then none of the
8 remuneration paid by such employer to such employee for
9 such period shall be deemed to be wages.

10 “(h) WITHHOLDING EXEMPTION CERTIFICATES.—

11 Every employee receiving wages (as defined in section 465)
12 shall furnish his employer a signed withholding exemption
13 certificate relating to his status for the purpose of computing
14 the withholding exemption, or if the employer exercises his
15 election under section 466 (b) (relating to wage bracket
16 withholding), for the purpose of computing the amount to be
17 withheld under such subsection. In case such a certificate is
18 required because of a change of status, it shall be furnished not
19 later than ten days after such change occurs. The certificate
20 shall be in such form and contain such information as the
21 Commissioner may, with the approval of the Secretary, by
22 regulations prescribe. Such certificate—

23 “(1) If furnished after the date of commence-
24 ment of employment with the employer, shall take
25 effect as of the beginning of the last payroll period

1 beginning prior to, or with respect to the first payment
2 of wages without regard to a payroll period made after,
3 the expiration of thirty days after the date on which such
4 certificate is furnished to the employer, except that at
5 the election of the employer such certificate may be made
6 effective as of the beginning of any previous payroll
7 period ending, or with respect to any previous payment
8 of wages without regard to a payroll period made, on or
9 after the date of the furnishing of such certificate.

10 “(2) If furnished on the date of commencement of
11 employment shall take effect as of the beginning of the
12 first payroll period ending, or the first payment of wages
13 made without regard to a payroll period, on or after the
14 date on which such certificate is furnished to the em-
15 ployer.

16 A certificate which takes effect under this subsection shall
17 continue in effect with respect to the employer until another
18 such certificate furnished by the employee takes effect under
19 this subsection. If no certificate is in effect under this sub-
20 section with respect to an employee, such employee shall be
21 treated, for the purposes of the withholding exemption, or
22 in case the employer exercises his election under section 466
23 (c) (relating to wage bracket withholding), for the purpose
24 of computing the amount to be withheld under such sub-

1 section, as a married person claiming none of the personal
2 exemption for withholding.

3 “(i) OVERLAPPING PAY PERIODS, AND SO FORTH.—If
4 a payment of wages is made to an employee by an em-
5 ployer—

6 “(1) with respect to a payroll period or other period,
7 any part of which is included in a payroll period or
8 other period with respect to which wages are also paid
9 to such employee by such employer, or

10 “(2) without regard to any payroll period or other
11 period, but on or prior to the expiration of a payroll
12 period or other period with respect to which wages are
13 also paid to such employee by such employer, or

14 “(3) with respect to a period beginning in one
15 and ending in another calendar year,

16 the manner of withholding and the amount to be withheld
17 under this subchapter shall be determined under regulations
18 prescribed by the Commissioner with the approval of the
19 Secretary.

20 **“SEC. 467. LIABILITY FOR TAX, AND ADJUSTMENTS.**

21 “(a) EMPLOYER LIABLE FOR TAX.—The employer
22 shall be liable for the payment of the tax required to be
23 withheld and collected under this part, and shall not be liable
24 to any person for the amount of any such payment.

1 “(b) ADJUSTMENTS.—If more or less than the correct
2 amount of tax is withheld or paid for any quarter in any
3 calendar year, proper adjustments, with respect both to the
4 tax withheld or the tax paid, may be made in any subsequent
5 quarter of such calendar year, without interest, in such
6 manner and at such times as may be prescribed by regula-
7 tions made by the Commissioner, with the approval of the
8 Secretary.

9 “SEC. 468. RETURN AND PAYMENT BY EMPLOYER.

10 “In lieu of the time prescribed in sections 53 and 56
11 for the return and payment of the tax imposed by this
12 chapter, every employer shall make a return and pay the
13 tax required to be withheld and collected under this part on
14 or before the last day of the month following the close of
15 each quarter of each calendar year. Such return shall con-
16 tain or be verified by a written declaration that it is made
17 under the penalties of perjury. The employer shall include
18 with the final return for the calendar year a duplicate
19 copy of each receipt required to be furnished under section
20 469. The employer shall also keep such records and render
21 under oath such statements with respect to the tax so with-
22 held and collected as may be required under regulations pre-
23 scribed by the Commissioner, with the approval of the
24 Secretary. If the employer is the United States, or a State,
25 Territory, or political subdivision thereof, or the District of

1 Columbia, or any agency or instrumentality of any one
2 or more of the foregoing, the return required in respect of
3 the amount withheld and collected upon any wages may
4 be made by any officer or employee of the United States,
5 or of such State, Territory, or political subdivision, or of the
6 District of Columbia, or of such agency or instrumentality,
7 as the case may be, having control of the payment of such
8 wages, or appropriately designated for that purpose. A defi-
9 ciency may be determined on the basis of the amounts re-
10 quired to be withheld and collected during a calendar year,
11 and in such case the amount of the tax shown on the return
12 shall be held and considered to be the aggregate of the
13 amounts of tax shown on the quarterly returns, the tax im-
14 posed under this part shall be held and considered to be the
15 aggregate of the taxes imposed for each quarter of the
16 calendar year, the date prescribed for the payment of the
17 tax shall be held and considered to be the date prescribed
18 for the making of the last quarterly return, and for the pur-
19 pose of ascertaining the return on the basis of which such
20 deficiency is determined, the quarterly returns shall be held
21 and considered to be one return required to be made on the
22 date prescribed for the making of the last quarterly return.

23 **"SEC. 469. RECEIPTS.**

24 “(a) **WAGES.**—Every employer required to withhold
25 and collect a tax in respect of the wages of an employee shall

1 furnish to each such employee in respect of his employment
2 during the calendar year, on or before January 31 of the
3 succeeding year, or, if his employment is terminated before
4 the close of such calendar year, on the day on which the last
5 payment of wages is made, a written statement showing the
6 wages paid by the employer to such employee during such
7 calendar year, and the amount of the tax withheld and
8 collected under this part in respect of such wages.

9 “(b) STATEMENTS TO CONSTITUTE INFORMATION
10 RETURNS.—The statements required to be furnished by this
11 section in respect of any wages shall be in lieu of the return
12 required to be furnished by the employer in respect of such
13 wages under section 147 and shall be furnished at such other
14 times, shall contain such other information, and shall be in
15 such form as the Commissioner, with the approval of the
16 Secretary, may by regulations prescribe.

17 “(c) EXTENSION OF TIME.—The Commissioner, under
18 such regulations as he may prescribe with the approval of the
19 Secretary, may grant to any employer a reasonable extension
20 of time (not in excess of 30 days) with respect to the state-
21 ments required to be furnished to employees on the day
22 on which the last payment of wages is made.

23 **“SEC. 470. PENALTIES.**

24 “(a) PENALTIES FOR FRAUDULENT RECEIPT OR FAIL-
25 URE TO FURNISH RECEIPT.—In lieu of any other penalty

1 provided by law (except the penalty provided by subsection
2 (b) of this section), any person required under the provi-
3 sions of section 469 to furnish a receipt in respect of tax
4 withheld pursuant to this part who willfully furnishes a false
5 or fraudulent receipt, or who willfully fails to furnish a receipt
6 in the manner, at the time, and showing the information
7 required under section 469, or regulations prescribed there-
8 under, shall for each such failure, upon conviction thereof
9 be fined not more than \$1,000, or imprisoned for not more
10 than one year, or both.

11 “(b) **ADDITIONAL PENALTY.**—In addition to the pen-
12 alty provided by subsection (a) of this section, any person
13 required under the provisions of section 469 to furnish a
14 receipt in respect of tax withheld pursuant to this part who
15 willfully furnishes a false or fraudulent receipt, or who will-
16 fully fails to furnish a receipt in the manner, at the time, and
17 showing the information required under section 469, or
18 regulations prescribed thereunder, shall for each such failure
19 be subject to a civil penalty of not more than \$50.

20 “(c) **FAILURE OF EMPLOYER TO FILE RETURN OR**
21 **PAY TAX.**—In case of any failure to make and file return
22 or pay the tax required by this part, within the time pre-
23 scribed by law or prescribed by the Commissioner in pursu-
24 ance of law, unless it is shown that such failure is due to rea-
25 sonable cause and not due to willful neglect, the addition to

1 the tax provided for in section 291 shall not be less than
2 \$10.”

3 “(d) **PENALTIES IN RESPECT OF WITHHOLDING**
4 **EXEMPTION CERTIFICATES.**—Any individual required to
5 supply information to his employer under section 466 (h)
6 who willfully supplies false or fraudulent information, or who
7 willfully fails to supply information thereunder which would
8 decrease the withholding exemption, shall, in lieu of the
9 penalty provided in section 145 (a), upon conviction thereof,
10 be fined not more than \$500, or imprisoned for not more than
11 one year, or both.”

12 (b) **TECHNICAL AMENDMENT.**—The heading of Sub-
13 chapter D of Chapter 1 of the Internal Revenue Code is
14 amended by inserting at the end thereof the following: “**AND**
15 **COLLECTION OF TAX AT SOURCE ON WAGES**”.

16 (c) **EXPIRATION DATE FOR WITHHOLDING AT SOURCE**
17 **ON WAGES REPEALED.**—Section 476 of the Internal Revenue
18 Code (prescribing the expiration date for the taxes imposed
19 by Subchapter D) is amended by inserting before “this sub-
20 chapter” the following: “Part I of”.

21 (d) **EFFECTIVE DATE.**—The amendments made by
22 subsections (a), (b), and (c) shall take effect July 1,
23 1943, and shall be applicable to all wages paid on or after
24 such date.

1 **SEC. 3. REFUNDS.**

2 (a) **EXCESSIVE WITHHOLDING.**—Section 322 (a) (2)
3 of the Internal Revenue Code (relating to excessive with-
4 holding) is amended to read as follows:

5 “(2) **EXCESSIVE WITHHOLDING.**—Where the
6 amount of the tax withheld at the source under Part II
7 of Subchapter D exceeds the taxes imposed by this
8 chapter (after allowance of the credits provided by sec-
9 tions 31, 32, and 453) against which the tax so withheld
10 may be credited under section 466 (e), the amount of
11 such excess shall be credited against any income tax or
12 installment thereof then due from the taxpayer, and any
13 balance thereof shall be refunded immediately to the
14 taxpayer.”

15 (b) **REVIEW OF ALLOWANCE OF INTEREST.**—Section
16 3790 of the Internal Revenue Code (prohibiting administra-
17 tive review of Commissioner’s decisions) is amended by in-
18 serting at the end thereof the following: “In the absence of
19 fraud or mistake in mathematical calculation, the allowance or
20 nonallowance by the Commissioner, of interest on any credit
21 or refund of amounts withheld under Part II of Subchapter
22 D of chapter 1, or of amounts paid thereunder, or of pay-
23 ments of the estimated tax made under section 59, shall not,
24 except as provided in Chapter 5, be subject to review by any

1 other administrative or accounting officer, employee, or agent
2 of the United States.”

3 **SEC. 4. CURRENT PAYMENT OF BASIC TAX NOT WITH-**
4 **HELD AT SOURCE.**

5 (a) IN GENERAL.—The Internal Revenue Code is
6 amended by striking out sections 58, 59, and 60 and inserting
7 in lieu thereof the following:

8 **“SEC. 58. DECLARATION OF ESTIMATED BASIC TAX BY**
9 **INDIVIDUALS.**

10 “(a) REQUIREMENT OF DECLARATION.—Every in-
11 dividual (other than an estate or trust and other than a non-
12 resident alien subject to withholding under section 143 (b))
13 shall, at the time during the taxable year prescribed in sub-
14 section (d) , make a declaration of his estimated basic tax for
15 the taxable year if his gross income from sources other than
16 wages (as defined in section 465) —

17 “(1) in case such individual is single or married
18 but not living with husband or wife; can reasonably be
19 expected to exceed \$100 for the taxable year and his
20 gross income to be such as will require the making of a
21 return for the taxable year under section 51; or did
22 exceed \$100 for the preceding taxable year and such
23 individual either was required to make a return under
24 section 51 for such preceding taxable year or would

1 have been so required if he had been single during the
2 whole of such preceding the taxable year; or

3 “(2) in case such individual is married and living
4 with husband or wife; can when added to the gross in-
5 come which can reasonably be expected to be received
6 by husband or wife from such sources, reasonably be
7 expected to exceed \$100 for the taxable year and the
8 aggregate gross income of such husband and wife can
9 reasonably be expected to be such as will require the
10 making of a return under section 51; or did, when added
11 to the gross income of such husband or wife from such
12 sources for the preceding taxable year, exceed \$100
13 for such preceding taxable year and such individual
14 would have been required to make a return under sec-
15 tion 51 for such preceding taxable year if he had been
16 married and living with husband or wife during the whole
17 of such preceding taxable year.

18 “(b) CONTENTS OF DECLARATION.—In the declaration
19 required under subsection (a) the individual shall state—

20 “(1) the amount by which his estimated net income
21 for the taxable year exceeds the greater of the following:

22 “(A) the amount of his estimated wages as
23 defined in section 465, the withheld tax on which is
24 allowable as a credit for such taxable year under
25 section 466 (c);

1 “(B) the amount of his estimated aggregate
2 amount of the credits for the taxable year allowable
3 under section 25 (b) ;

4 “(2) the amount equal to 20% of the amount
5 determined under paragraph (1), which for the purpose
6 of this chapter shall be held and considered to be the
7 estimated basic tax for the taxable year.

8 The declaration shall also contain such other information for
9 the purposes of carrying out the provisions of this chapter
10 as the Commissioner, with the approval of the Secretary,
11 may by regulations prescribe, and shall contain or be verified
12 by a written statement that it is made under the penalties of
13 perjury.

14 “(c) JOINT DECLARATION BY HUSBAND AND WIFE.—

15 In the case of a husband and wife living together, a single
16 declaration under this section may be made by them jointly,
17 in which case the liability with respect to the estimated basic
18 tax shall be joint and several. No joint declaration may be
19 made if either the husband or wife is a nonresident alien. If
20 a joint declaration is made but a joint return is not made for
21 the taxable year, the estimated basic tax for such year may be
22 treated as the estimated basic tax of either the husband or the
23 wife, or may be divided between them.

24 “(d) TIME AND PLACE FOR FILING.—The declaration
25 required under subsection (a) shall be filed on or before

1 the fifteenth day of the third month of the taxable year,
2 except that if the requirements of subsection (a) are first
3 met after such date, the declaration shall be filed on or
4 before the fifteenth day of the last month of the quarter of
5 the taxable year in which such requirements are first met.
6 An individual may make amendments or revisions of a declara-
7 tion filed under this subsection, under regulations prescribed
8 by the Commissioner with the approval of the Secretary. If
9 so made, such amendments or revisions shall be filed on or
10 before the fifteenth day of any quarter of the taxable year
11 subsequent to that in which the declaration was filed and in
12 which no previous amendments or revisions have been made
13 or filed. Declarations and amendments and revisions thereof
14 shall be filed with the Collector specified in section
15 53 (b) (1).

16 “(e) EXTENSION OF TIME.—The Commissioner may
17 grant a reasonable extension of time for filing declarations,
18 under such rules and regulations as he shall prescribe with the
19 approval of the Secretary. Except in the case of taxpayers
20 who are abroad, no such extension shall be for more than six
21 months.

22 “(f) PERSONS UNDER DISABILITY.—If the taxpayer is
23 unable to make his own declaration, the declaration shall be
24 made by a duly authorized agent or by the guardian or other

1 person charged with the care of the person or property of
2 such taxpayer.

3 “(g) SIGNATURE PRESUMED CORRECT.—The fact that
4 an individual’s name is signed to a filed declaration shall
5 be prima facie evidence for all purposes that the declaration
6 was actually signed by him.

7 **“SEC. 59. PAYMENT OF ESTIMATED BASIC TAX.**

8 “(a) IN GENERAL.—The estimated basic tax shall be
9 paid in four equal installments except that

10 “(1) if the declaration is filed (otherwise than
11 pursuant to an extension of time) after the fifteenth
12 day of the third month of the taxable year, the estimated
13 basic tax shall be paid in equal installments the number
14 of which is equal to the number of quarters remaining
15 in the taxable year (including the quarter in which the
16 declaration is filed) ; and

17 “(2) if any amendment or revision of a declaration
18 is filed, the remaining installments shall be ratably in-
19 creased or decreased, as the case may be, to reflect the
20 increase or decrease, as the case may be, in the estimated
21 basic tax by reason of such amendment or revision ; and

22 “(3) at the election of the individual, any install-
23 ment of the estimated basic tax may be paid prior to the
24 date prescribed for its payment.

1 Payment of the estimated basic tax shall be considered pay-
2 ment on account of the tax for the taxable year.

3 “(b) ASSESSMENT.—The estimated basic tax shall be
4 assessed only to the extent paid.

5 **“SEC. 60. SPECIAL RULES FOR APPLICATION OF SECTIONS**
6 **58 AND 59.**

7 “(a) FARMERS.—In the case of an individual whose
8 estimated gross income from farming for the taxable year
9 is at least 80 per centum of the total estimated gross income
10 from all sources for the taxable year, in lieu of the time
11 prescribed in section 58 (d), the declaration for the taxable
12 year may be made at any time on or before the fifteenth
13 day of the last month of the taxable year.

14 “(b) APPLICATION TO SHORT TAXABLE YEARS.—
15 The application of sections 58, 59, and 294 (a) (4) and
16 (5) to taxable years of less than twelve months shall be
17 as prescribed in regulations prescribed by the Commissioner
18 with the approval of the Secretary.

19 “(c) APPLICATION TO TAXABLE YEARS BEGINNING
20 IN 1943.—If the taxable year is the calendar year 1943,
21 the fifteenth day of September, 1943, shall be substituted for
22 the fifteenth day of March for the purposes of section 58 (d).
23 If the taxable year begins in 1943 after January 1, the date
24 which shall be substituted for the fifteenth day of the third

1 month of the taxable year for the purposes of section 58 (d)
2 shall be prescribed by regulations prescribed by the Com-
3 missioner with the approval of the Secretary.”

4 (b) ADDITIONS TO TAX.—Section 294 (a) of the In-
5 ternal Revenue Code (relating to additions to tax in case of
6 nonpayment) is amended by inserting at the end thereof
7 the following:

8 “(3) FAILURE TO FILE DECLARATION OF ESTI-
9 MATED BASIC TAX.—In the case of a failure to make and
10 file a declaration of estimated basic tax within the time
11 prescribed, there shall be added to the tax \$10 or an
12 amount equal to 10 per centum of the tax, whichever
13 is the greater.

14 “(4) FAILURE TO PAY INSTALLMENT OF ESTI-
15 MATED BASIC TAX.—In the case of the failure to pay an
16 installment of the estimated basic tax within the time
17 prescribed, there shall be added to the tax \$2.50 or $2\frac{1}{2}$
18 per centum of the tax, whichever is the greater, for each
19 installment with respect to which such failure occurs.

20 “(5) SUBSTANTIAL UNDERESTIMATE OF ESTI-
21 MATED BASIC TAX.—If 16 per centum in the case of
22 individuals other than farmers exercising an election under
23 section 60 (a), or $13\frac{1}{3}$ per centum in the case of such
24 farmers, of the net income in excess of the amount of
25 wages as defined in section 465 (the withheld tax on

which is allowable as a credit under section 466 (e)),
 or the amount of the credits against net income allow-
 able under section 25 (b) , whichever is the greater,
 exceeds the estimated basic tax, there shall be added to
 the tax an amount equal to 6 per centum of such excess."

(c) PENALTIES.—Section 145 (a) of the Internal Rev-
 enue Code (relating to criminal penalties) is amended (1)
 by inserting after "return" wherever appearing therein the
 words "or declaration", and (2) by inserting before "tax"
 wherever appearing therein the words "estimated basic
 tax or".

(d) PAYMENT OF TAX.—Section 56 (b) of the Inter-
 nal Revenue Code is amended to read as follows:

"(b) INSTALLMENT PAYMENTS.—

"(1) CORPORATIONS, ESTATES AND TRUSTS,
 ETC.—In the case of (A) a corporation (B) a trust
 (C) an estate, or (D) a nonresident alien subject to
 withholding under section 143 (b) , the taxpayer may
 elect to pay the tax in four equal installments, in which
 event the first installment shall be paid on the date
 prescribed for the payment of the tax by the taxpayer,
 the second installment shall be paid on the 15th day of
 the third month, the third installment on the 15th day
 of the sixth month and the fourth installment on the 15th
 day of the ninth month after such date.

1 “(2) OTHER INDIVIDUALS.—In the case of all
2 other individuals, the taxpayer may elect to pay the tax
3 in four installments in which event the first installment
4 shall be an amount equal to the sum of the following:

5 “(A) the basic tax;

6 “(B) one-fourth of the amount by which the
7 tax imposed by this chapter computed without regard
8 to the credit provided in section 466 (e) exceeds the
9 basic tax.

10 The amount of the first installment as computed hereunder
11 shall be reduced by the sum of the amount of the credit
12 allowable under section 466 (e) plus the amount of esti-
13 mated basic tax paid during the taxable year and in case
14 such sum is equal to or in excess of the amount of the first
15 installment as computed hereunder, but is less than the tax
16 imposed by this chapter (computed without regard to the
17 credit allowable under section 466 (e)) such sum shall con-
18 stitute the amount of the first installment. The amount of
19 an installment other than such first installment shall be one-
20 third of the difference between the tax imposed (computed
21 without regard to the credit allowable under section 466
22 (e)) and the amount of such first installment. The first
23 installment shall be paid on the date prescribed for the pay-
24 ment of the tax by the taxpayer, and the balance of the tax
25 shall be paid in three equal installments, the second install-

1 ment on the 15th day of the third month, the third install-
2 ment on the 15th day of the sixth month, and the fourth
3 installment on the 15th day of the ninth month, after such
4 date.

5 “(3) DEFINITION OF BASIC TAX.—For the purposes
6 of paragraph (2) of this subsection the term ‘basic tax’
7 means—

8 “(A) in the case of a taxpayer making a return
9 under Supplement T, the sum of (i) the tax imposed
10 under section 400, (ii) the tax imposed under section
11 450 (adjusted for the credit allowable under section
12 453) and (iii) any additions to the tax for which
13 the taxpayer is liable under the provisions of section
14 294 (a) (3) (4) (5).

15 “(B) in the case of all other taxpayers to which
16 paragraph (2) of this subsection is applicable, the
17 sum of (i) the normal tax imposed under section 11,
18 (ii) an amount equal to a percentage of the surtax
19 net income at the first bracket rate of surtax, (iii) the
20 tax imposed under section 450 (adjusted for the
21 credit allowable under section 453), and (iiii) any
22 additions to the tax for which the taxpayer is liable
23 under the provisions of section 294 (a) (3) (4)
24 (5).

25 If any installment is not paid on or before the date fixed

1 for its payment, the whole amount of the tax unpaid is to be
2 paid upon notice and demand from the collector.”

3 (e) TAXABLE YEARS TO WHICH APPLICABLE.—The
4 amendments made by this section shall be effective with re-
5 spect to taxable years beginning after December 31, 1942.

6 **SEC. 5. RELIEF FROM DOUBLE PAYMENTS IN 1943.**

7 (a) EFFECTIVE DATE.—This section shall be applicable
8 with respect to taxable years beginning in 1942 but shall
9 not take effect until September 1, 1943.

10 (b) IN GENERAL.—In the case of an individual who
11 makes a return for a taxable year beginning in 1942, the
12 tax imposed under chapter 1 of the Internal Revenue Code
13 shall, in lieu of that otherwise imposed, be the tax com-
14 puted without regard to this section less an amount equal
15 to the sum of the normal tax plus 13 per centum of the
16 surtax net income for such year.

17 (c) SUPPLEMENT T TAXPAYERS.—In the case of an
18 individual who makes a return for the calendar year 1942
19 under Supplement T, the liability for the tax imposed under
20 section 400 of the Internal Revenue Code for such year is
21 cancelled and discharged.

22 (d) SHORT TAXABLE YEARS.—The provisions of this
23 section shall not apply to any taxable year which consists of
24 a period of less than twelve months.

25 (e) REDUCTION WHERE CREDIT FOR FOREIGN TAX.—

1 In computing the amount by which the tax is reduced under
2 subsection (b) the tax imposed under chapter 1 of the Inter-
3 nal Revenue Code shall be the tax imposed under said chap-
4 ter prior to its diminution by credit available to the taxpayer
5 under sections 31 and 131 of such chapter. In computing
6 the net tax liability for any such taxable year the amount
7 of such credit shall be computed after taking into account
8 the reduction in tax effected by this section.

9 (f) INDIVIDUALS EXCLUDED.—The provisions of this
10 section shall not apply to (A) an estate, (B) a trust, (C), a
11 nonresident alien subject to withholding under section 143 (b)
12 of the Internal Revenue Code.

13 (g) REFUND OR CREDIT OF REDUCTION IN TAX.—
14 The amount by which the tax is reduced under subsections
15 (b) and (c) of this section shall, if the taxpayer elects to
16 pay the tax in installments, be prorated to the four install-
17 ments of such tax. The amount so prorated to the install-
18 ments of the tax falling due after September 1, 1943, shall
19 be applied in reduction of each such installment.

20 (h) TREATMENT OF PAYMENTS PRIOR TO SEPTEMBER
21 1, 1943, OF AMOUNTS BY WHICH 1942 TAX REDUCED.—
22 Any payment (other than interest and additions to the tax)
23 made prior to September 1, 1943 (or on or after such date
24 pursuant to any extension of time granted by the Commissioner
25 before such date), of an amount by which the tax imposed un-

1 der chapter 1 of the Internal Revenue Code is reduced under
2 subsection (b) or (c) of this section for a taxable year begin-
3 ning in 1942 shall be held and considered as a payment on
4 account of the estimated basic tax for the taxable year begin-
5 ning in 1943. In the case of any extension of time for the
6 payment of such tax granted by the Commission prior to Sep-
7 tember 1, 1943, payment of the portion thereof which, if such
8 extension had not been granted, would have been payable
9 under section 56 (b) prior to September 1, 1943, shall be
10 paid notwithstanding subsections (b) or (c) of this section.

11 **SEC. 6. ADDITIONAL ALLOWANCE FOR MEMBERS OF**
12 **ARMED FORCES.**

13 (a) **IN GENERAL.**—Section 22 (b) (13) of the In-
14 ternal Revenue Code (relating to additional allowance for
15 military and naval personnel in computing net income) is
16 amended to read as follows:

17 “(13) **ADDITIONAL ALLOWANCE FOR MILITARY**
18 **AND NAVAL PERSONNEL.**—In the case of compensation
19 received during any taxable year and before the termi-
20 nation of the present war as proclaimed by the President,
21 by a member of the military or naval forces of the
22 United States for active service in such forces during
23 such war, so much of such compensation as does not
24 exceed the excess of \$3,500 over the personal exemp-
25 tion claimed under section 25 (b) by such member for

such taxable year (and by his spouse, if such member is married and living with his spouse on the last day of the taxable year and such spouse is not entitled to the benefits of this paragraph).”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to all compensation received after December 31, 1941, by a member of the military or naval forces of the United States for active service in such forces.

SEC. 7. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES IN YEAR OF DEATH.

(a) **IN GENERAL.**—Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

“Supplement U.—Abatement of Tax for Members of Armed Forces in Year of Death

“SEC. 421. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES IN YEAR OF DEATH.

“In the case of any individual who dies while in active service as a member of the military or naval forces of the United States and prior to the termination of the present war as proclaimed by the President, the tax imposed by this chapter shall not apply with respect to the taxable year in which falls the date of his death, and the tax under this chapter and under the corresponding title of each prior

1 revenue law for preceding taxable years which is unpaid at
2 the date of his death (including interest, additions to the tax,
3 and additional amounts) shall not be assessed, and if assessed
4 the assessment shall be abated, and if collected shall be
5 credited or refunded as an overpayment.”

6 (b) The amendment made by subsection (a) shall be
7 effective on and after December 7, 1941.

Passed the House of Representatives May 4, 1943.

Attest:

SOUTH TRIMBLE,

Clerk.

AN ACT

To provide for the current payment of the individual income tax, and for other purposes.

May 5 (legislative day, May 3), 1943

Read twice and referred to the Committee on Finance

CURRENT TAX PAYMENTS ACT OF 1943

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

FIRST SESSION

ON

H. R. 2570

AN ACT TO PROVIDE FOR THE CURRENT PAYMENT
OF THE INDIVIDUAL INCOME TAX, AND
FOR OTHER PURPOSES

REVISED

MAY 6 AND 7, 1943

Printed for the use of the Committee on Finance



UNITED STATES
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CURRENT TAX PAYMENTS ACT OF 1943

THURSDAY, MAY 6, 1943

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10:30 a. m., in room 312 Senate Office Building, Senator Walter E. George (chairman) presiding.

The CHAIRMAN. The committee will please come to order. The Secretary of the Treasury is not coming before the committee today, or at anytime, on this particular bill unless the committee should desire his presence. Since the bill relates primarily to methods of collecting taxes and is not a general tax bill I think it was the view of the Treasurer that those who are on the staff and who are primarily concerned with the methods of collection and are prepared to give the Treasury's views should come down and he himself will not be here.

Mr. Paul, you may make such general statement in reference to this bill before us as will enable us to begin to understand precisely what we have before us and what our work is.

STATEMENT OF RANDOLPH E. PAUL, GENERAL COUNSEL, TREASURY DEPARTMENT

Mr. PAUL. I have a prepared statement, Mr. Chairman, which relates to the House bill and discusses also the other bills which were before the House in the recent controversy there. I have also a supplementary statement which deals with some details by way of improvement of the collection-at-the-source mechanism in the House bill. That supplementary statement is made up separately. The main statement relates entirely to the House bill as it was passed, and the other bills that were under consideration in the House. If it meets with the pleasure of the chairman I will proceed with that statement first.

The CHAIRMAN. Yes; that is quite all right.

You mean your general statement?

Mr. PAUL. The general statement, which, I want to repeat, does not attempt to go into any improvements which we think can be made in the collection at the source technique and mechanism as it is contained in the House bill. These are improvements which were suggested to us by representatives of various employers. Some of them were very good, and we thought we should bring them to the attention of the committee because they do simplify the job of the employers under the bill.

The House of Representatives on May 4, 1943, passed a bill providing for current payment of the individual income tax. While some features of the bill were the subject of extensive controversy, large areas of agreement prevailed throughout the deliberations in the Ways and Means Committee and in the House. The provisions of the three leading bills—the Ways and Means Committee bill, the Ruml-Carlson bills, and the bill adopted by the House—reflect essential agreement on the major issue of current payment. All three bills provide for collection at source from wages and salaries starting July 1 at a rate of 20 percent above exemptions. All three bills adopted the same techniques for collection of other liabilities payable currently, but not collected at source. Only with respect to the transition to the new system was there controversy and this was principally with respect to the amount and distribution of tax cancelation for 1942.

Before this committee I need not dwell on the importance of placing taxpayers on a pay-as-you-go basis and eliminating for the great mass of taxpayers the 1-year lag which now exists in our present system of individual income-tax payment. With rates at wartime levels, taxpayers, especially those in the lower income groups, find it difficult to accumulate in advance the funds needed for quarterly lump-sum payments. They may suffer actual hardship in the case of a drop or failure in income because of the lag in income-tax payments. It is now universally recognized, I believe, that tax payment will be made easier, and that hardship will be avoided, if tax liabilities are discharged currently out of pay envelopes instead of waiting until the year following the receipt of income. At the same time, current collection will more adequately protect Treasury revenue, and will guarantee a more prompt and more certain flow of revenue to the Government, than does the existing method of collection. By promptly withdrawing purchasing power from the income stream before it can exert an upward pressure upon prices, a pay-as-you-go system will strengthen the Government in its critical fight against inflation.

The advantages stated accrue both to taxpayers and Government. With overhanging income-tax debt eliminated for the great majority of taxpayers, and with taxes budgeted more certainly and smoothly, taxpayers are better prepared to meet the demands that may be made on them by the necessities of war finance. An income-tax-payment system putting the great majority of taxpayers on a current basis will better prepare the income tax for its role in the enormous job of financing this total war. These points, I believe you will agree, settle beyond dispute the importance of the pending legislation.

2. COLLECTION AT THE SOURCE

The withholding provisions of the three major bills considered by the House are identical. Withholding from wages and salaries at a rate sufficient to cover the Victory tax, the normal tax, and 13 percent of surtax net income is to begin on July 1, 1943. In general, the withholding system now in effect for the Victory tax, modified to take account of personal exemptions, is utilized. The withholding rate is 17 percent on the amount of wages over the income-tax withholding exemption and 3 percent on the wages over the Victory-tax withholding exemption. Thus, withholding is required not on a gross basis but only on the excess of the total wages over exemptions and an allowance for normal deductions.

The reduction of the Victory tax withholding rate from 5 to 3 percent is made to avoid overcollection of the Victory tax liability which, after taking account of credits, more nearly approximates 3 than 5 percent. The 17-percent rate for the income tax is designed to collect approximately the normal tax of 6 percent, plus the minimum surtax rate of 13 percent. The withholding rate is slightly lower than the sum of the normal tax and the first bracket surtax, in order to make partial allowance for deductions. The rates are thus designed to minimize as far as possible overwithholding and the consequent necessity for making refunds.

The amount of each wage or salary payment subject to withholding is determined by subtracting from the gross payment the withholding exemptions allowable. The withholding exemption for the Victory tax is \$624. The withholding exemptions for the income tax are the regular personal exemptions of \$500 for a single person, \$1,200 for a married person, and an additional \$350 for each dependent, each increased by 10 percent to allow for average deductions. These exemptions are prorated according to the length of the pay period; that is, weekly, semimonthly, monthly, or other pay periods. For example, the weekly Victory tax allowance is \$12 while the weekly income-tax allowance is \$11 for a single person, \$26 for a married couple, and \$8 for each dependent.

To enable the employer to determine the proper amount of tax to be withheld, the employee is required to furnish a signed withholding exemption certificate showing whether he is single or married and the number of his dependents. If his marital and dependency status changes, the employee is required to file an amended certificate to take effect for future pay periods. The employer is entitled to rely on the exemption certificate furnished him by the employee in computing the amount to be withheld from the employee's wages, and if the employee fails to furnish the required certificate, no personal exemption, or dependency credit is to be allowed. Thus, the employer is not placed under a duty to ascertain the status of an employee, and the responsibility in this regard falls upon the employee.

The House bill gives employers the option of either directly computing the amounts of tax to be withheld, or using wage bracket tables. If the employer chooses the computation method, he subtracts the Victory tax withholding exemption from the wage payment and applies a rate of 3 percent to the balance, and subtracts the income tax withholding exemption from the wage payment and applies a rate of 17 percent to the balance; the sum of the two resulting amounts is the amount to be withheld. If the employer uses the tables which the House bill provides for the standard pay-roll periods, he determines the amount to be withheld by reading it from the tables. Knowing the person's marital status and number of dependents, the employer needs only to locate the bracket in which the given wage falls and to read off the corresponding amount to be withheld.

Under the House bill the employer is required to make quarterly returns and pay over the tax withheld from his employees in each quarter on or before the last day of the month following the close of the quarter. He is also required to furnish each employee a written receipt showing the wages paid during the year and the amount withheld. If the employee's services are terminated before the close of the calendar year, the receipt must be furnished on the day on which

the last payment of wages is made, except that an extension of 30 days may be granted by the Commissioner. In lieu of the present information return with respect to wages, the employer is required to attach to the last quarterly return for the calendar year copies of the receipts which he gives to his employees so that they may be checked against the returns filed by the individual wage earners.

After the close of the year, wage earners are required to file returns showing their actual income and final liabilities for the year. The tax withheld at source is allowed as a credit against such final liability and adjustments to such liability are made by additional payments or refunds. For the vast majority of wage earners these adjustments will be minor in amount.

Collection at source applies only to compensation for personal services. However, certain types of employment are excluded from withholding under the bill. The principal types excluded are domestic servants, members of the armed forces, and farm labor.

The House bill will discharge by collection at source substantially the full tax liability for persons whose income consists of wages not exceeding \$2,700 if single and \$3,500 if married, and correspondingly higher amounts if the employee has dependents. Seventy percent of all taxpayers will have their entire tax liability withheld at source and an additional 10 percent will have part of their liability withheld at source.

Since the provisions of the House bill with respect to withholding were drafted, conferences with representatives of employers have produced several suggestions, tending to simplify the burden on employers which is involved in the mechanics of applying the system of collection at the source. Suggested changes of this nature will be described in a separate statement.

3. CURRENT PAYMENT OF TAX LIABILITIES NOT COLLECTED AT SOURCE

Collection at source will discharge the tax liabilities for most taxpayers. There are two types of cases where collection at source does not discharge the total tax liability. One is the case where incomes are not from wages and salaries. The other case is where incomes extend into brackets with rates higher than those covered by collection at source.

With respect to incomes not subject to collection at source the basic technique is the same for all three bills. This technique involves a declaration by the taxpayer of his estimated tax liability for the current year by March 15. This estimated tax is to be paid at quarterly intervals thereafter, or earlier if the taxpayer chooses. The taxpayer may revise the declaration of the estimated tax each quarter and ratably increase or decrease remaining installments.

In the case of the Ruml-Carlson bill and the Ways and Means Committee bill this technique was also to be applied to the balance of the tax liability on incomes subject to source collection but falling in the higher surtax brackets, and to higher surtaxes on incomes not subject to collection at source. It would thus achieve current collection of the total tax liabilities of all taxpayers, except for necessary year-end adjustments. The House bill, however, provides for current collection only of an estimated basic tax of 20 percent. Any balance of

tax liability over this amount is payable in the year following the receipt of income in the same manner as under present law.

Declarations of estimated basic tax are required only of those individuals who have more than \$100 of income not subject to withholding and whose total gross income would require them to file income tax returns at the end of the taxable year. Thus, persons whose entire income consists of wages subject to withholding and only a nominal amount of other income are not required to file declarations.

A special rule, common to all three bills, applies to farmers who fulfill the requirements with respect to gross income. Farmers are defined as individuals whose estimated gross income from farming amounts to at least 80 percent of the total estimated gross income from all sources. In their case, the declaration of the estimated tax may be made at any time on or before the 15th of December. Farmers are not required to pay in installments but they may voluntarily elect to do so.

Under the House bill, to prevent substantial underestimates of the estimated basic tax, a penalty is added to the tax. The penalty is 6 percent of any amount by which 16 percent of the actual net income less wages subject to withholding or the personal exemption, whichever is the greater, exceeds the estimated basic tax paid during the year. In other words, this penalty applies only if the individual underestimates by more than 20 percent the net income on which the estimated basic tax is computed. A special rule applicable to farmers who elect the end of the year filing date provides a tolerance limit of 33½ percent of actual net income over wages or personal exemption, whichever is the greater.

Additional penalties are provided to safeguard the current payment system. In the case of a failure to file a declaration of estimated tax within the time prescribed, the penalty is \$10 or 10 percent of the tax, whichever is greater. In the case of a failure to pay an installment of the estimated tax within the time prescribed, the penalty is \$2.50 or 2½ percent of the tax, whichever is greater, for each installment with respect to which such failure occurs.

This system of current payment of tax not collected at source is to come into operation in the third quarter of 1943 to parallel the new collection-at-source system which begins July 1, 1943. The March and June installments of 1942 tax payable in 1943, insofar as an amount equal to the forgiven basic liability is concerned, will be treated as current payments of estimated basic tax for 1943. When the taxpayer files his return in March 1944, adjustments will be made for overpayment or underpayment of the 1943 liability.

4. EXTENT TO WHICH TAXPAYERS ARE ON A CURRENT BASIS UNDER THE THREE MAJOR BILLS

The current payment features of the House bill place 90 percent of taxpayers on a fully current basis except for minor-year-end adjustments. The great majority of the remaining 10 percent of taxpayers are made substantially current. Less than 1 percent of all taxpayers would not be at least 75 percent current, and only about 700,000 taxpayers out of nearly 44,000,000 will have a liability exceeding \$90 carried over beyond the close of the current year. The

House bill achieves current collection for the taxpayers in the lower brackets to whom it is most essential and falls short of fully current collection for only the 4,000,000 taxpayers who have surtax net incomes in excess of \$2,000, that is, in excess of the first surtax bracket. In the case of higher-bracket taxpayers, a very substantial part of the tax is discharged currently because the bill applies current collection to the basic tax on the entire income regardless of the surtax bracket into which it falls.

Under the Ruml-Carlson bill all taxpayers would be fully current almost immediately. Under the Ways and Means Committee bill, all taxpayers would be on a current basis with respect to their taxes on current income before the end of 1943. The 7,000,000 taxpayers who had no liability on 1942 income at 1941 rates and exemptions would be current as to all liabilities, while the remaining taxpayers would be required to pay their reduced 1942 tax concurrently with their taxes on current income during 1944, 1945, and 1946.

5. TREATMENT OF 1942 TAX

Although all three bills before the House provided the same methods of collection at source and current payment, the amount of forgiveness of 1942 taxes and the distribution of the forgiveness were a major subject of controversy. The House bill cancels the 6 percent normal tax and 13 percent of surtax net income on 1942 individual incomes. No problem arises on account of the unforgiven 1942 tax. Since only the basic liability for any year is payable currently and since this corresponds to the amount of 1942 tax forgiven, there can be no doubling-up of payment.

The Ruml-Carlson bill cancels the entire tax on 1942 income except for certain offsets intended to prevent windfall gains to some taxpayers. One of those antiwindfall provisions applies when 1943 income is less than 1942 income while the other applies when both 1942 and 1943 incomes are greater than 1940 income, the year 1940 having been substituted for the year 1941 by floor amendment. Under the Ruml-Carlson bill there would in general be no doubling up since, while the whole tax is payable currently each year, the entire 1942 tax is correspondingly forgiven. An exemption is presented in those cases where the second of the above antiwindfall provisions is applicable, since the amount of tax not forgiven under the antiwindfall provisions is payable in 1943, unless an extension of time is granted by the commissioner in cases of hardship.

The bill reported by the House Ways and Means Committee recomputes the tax on 1942 income at 1941 rates and exemptions and the difference is canceled. Under this bill, the unforgiven 1942 tax liabilities require special treatment. Provision is made for collecting them in three annual installments beginning March 15, 1944. To encourage advance payment of the later installments, provision is made for a discount of 6 percent of the reduced 1942 tax if full payment is made by March 15, 1944, and a discount of 2 percent of such tax if the 1944 installment is paid and the balance is paid by March 15, 1945. The Commissioner is authorized to grant an extension of time up to 3 years in those cases where payment of any installment would result in undue hardship.

6. PROVISIONS RELATING TO MEMBERS OF THE ARMED FORCES

The House bill contains two provisions relating to members of the armed forces. One provision exempts from income tax the service pay of most members of the armed forces. The second provision abates outstanding income-tax liability for members of the armed forces who die while on active service. The provisions in the House bill are identical with those contained in the Ruml-Carlson bill and in the Ways and Means Committee bill.

Under present law, there is provided an exclusion from gross income in the case of personnel below the grade of commissioned officer in the military and naval forces of the United States. The amount excluded under this provision is not to exceed \$250 in the case of a single person and \$300 in the case of a married person or head of a family and applies only to salary or compensation received for active service in the armed forces during the present war. These exclusions are in addition to the personal exemptions.

The House bill proposes to amend this provision by increasing the exclusion from gross income in the case of military and naval personnel, without distinction as to rank, with respect to the compensation received during any taxable year for active service during the present war. The amount so excluded is not to exceed the excess of \$3,500 over the personal exemption claimed by the member of the military or naval forces. If such member of the armed forces is married and living with his spouse on the last day of the taxable year and his spouse is not a member of the military or naval forces, the amount of the exclusion is not to exceed the excess of \$3,500 over the personal exemption claimed by both the spouse and the member of the military or naval forces. Thus, under this provision, the amount of service pay which may be excluded from gross income in the case of a married person is the same regardless of whether joint or separate returns are filed and regardless of the property law of any State. The amendment would apply with respect to all compensation received after December 31, 1941, by a member of the armed forces of the United States for active service in such forces, and is thus retroactive to the year 1942.

Under another provision of the House bill, members of the armed forces who die in active service are relieved from income taxes for the taxable year in which falls the date of death. In addition, there is abated all income taxes (including interest and additions to tax) which are unpaid as of the date of death. If the amount of any such liability which was unpaid as of the date of death is collected subsequent to such date, provision is made that the amount so collected shall be credited or refunded as an overpayment. This amendment becomes effective with respect to members of the armed forces dying in active service on or after December 7, 1941.

7. REVENUE EFFECTS UNDER THE THREE MAJOR BILLS

The 1942 tax liabilities under present law are estimated at \$9,815,000,000 before giving effect to the special provisions relating to the armed forces and at \$9,451,000,000 after giving effect to these special provisions. The House bill would cancel \$7,238,000,000. The Ruml-Carlson bill would cancel the entire \$9,451,000,000 but would recoup

through windfall provisions \$1,133,000,000, resulting in a net cancellation of \$8,319,000,000 after giving effect to these special provisions. The Ways and Means Committee bill would cancel \$4,672,000,000. Thus, of the 1942 liabilities there would remain only \$2,214,000,000 under the House bill, \$1,133,000,000 under the Ruml-Carlson bill (this entire amount being due to the special windfall provisions), and \$4,780,000,000 under the Ways and Means Committee bill.

Under the House bill the tentative estimates of income tax liabilities due in the fiscal year 1944 would not be appreciably different from the income-tax liabilities due under the present law. The liabilities due in each case would amount to approximately \$13,000,000,000. The increase of over a half billion dollars in liabilities due in the fiscal year 1944 under the House bill as a result of subjecting the higher levels of income in 1943 and 1944 to current tax payment insofar as the basic liability is concerned is offset for the most part by the decrease in liabilities resulting from the relief for the armed forces.

Under the Ruml-Carlson bill the liabilities due in the fiscal year 1944 would amount to \$15,263,000,000 and under the Ways and Means Committee bill to \$15,724,000,000 if no discounts are taken, and \$18,623,000,000 if the maximum discounts are taken. The larger collections under the Ways and Means Committee bill and the Ruml-Carlson bill in that particular year are due in part to a doubling up of certain liabilities with respect to 1942 taxes and in part to a more complete dependence of the liabilities due in the fiscal year 1944 upon the higher level of current income than under the House bill, since under the House bill the liabilities with respect to the upper surtax brackets are based upon the preceding year's income.

In the fiscal years 1945 and 1946 the Ways and Means Committee bill will continue to produce larger amounts of revenue than the other two bills to the extent that the 1942 tax is not fully paid in 1944. The revenue under the Ruml-Carlson bill and the House bill will be equal in fiscal year 1945 if 1944 and 1945 incomes are at the same level as 1943 incomes. If the trend of income continues upward the yield under the Ruml-Carlson bill will be somewhat higher than under the House bill since current collection applies to the whole tax instead of to the basic tax, which accounts for about three-fourths of the total. On the other hand, if income trends should turn downward the yield under the Ruml-Carlson bill would, for the same reason, be less than the yield under the House bill.

The estimated income-tax liabilities due during 1943 and the amount of 1942 taxes canceled under the Ruml-Carlson bill are given in exhibit 5. Corresponding estimates under the House bill and the Ways and Means Committee bill are given in exhibits 6 and 7.

8. DISTRIBUTION OF FORGIVENESS

The three plans differ not only with respect to the aggregate amount of tax forgiven but also with respect to the distribution of forgiveness among the various income brackets. Superficially each of the three bills distributes its forgiveness on a uniform pattern. The Ruml-Carlson bill forgives the whole tax from the lowest income to the highest income. The House bill forgives the normal tax and 13 percent of surtax net income uniformly from top to bottom. The Ways and Means Committee bill shifts the rates and exemptions

from the 1942 levels to the 1941 levels for all taxpayers. Thus on its face each bill appears to apply its forgiveness on a uniform basis for all taxpayers.

This apparent uniformity, however, does not mean that in actual operation each of the three bills distributes the benefits of forgiveness in an equitable manner. The relative distribution of forgiveness among different income brackets differs widely under the three bills. The assumption, which many people make, that uniform treatment is afforded when the same percentage of tax is forgiven to all taxpayers, fails to take account of several very important considerations.

A usual method of comparing the fairness of tax provisions is to measure the distribution of tax burdens imposed among the various income levels. On this basis of comparison, both the House bill and the Ways and Means Committee bill distribute the remaining 1942 tax burden in the form of progressive tax rate schedule although they differ as to exemptions and the pattern of the rate schedule. The Ruml-Carlson bill, however, leaves no burden at all on 1942 income, except as to the antiwindfall provisions. This pattern of burden is obviously not equitable in a year of wartime income.

A second method of measuring the fairness of the distribution of tax forgiveness is based on the amount of income which a taxpayer has at his disposal to spend or to save—not income before taxes, but income after payment of taxes. The Federal income tax has been in operation for 30 years. During every year of that time the receipt by an individual of a dollar of net income above exemptions has concurrently created a tax liability which must be subtracted to reflect the actual income. It is this actual income after tax and not the income before tax which is the proper standard for measuring the effects of tax forgiveness on persons in different income levels. Forgiveness adds wealth to the taxpayer, or reduces his liabilities, which is in effect the same thing. How do the amounts of the forgiveness under the three bills compare with respect to income remaining after the taxes which are prescribed for 1942 by existing law?

The answer to this question may be seen in the following table showing for the three bills the relation of the amount of the forgiveness to the income after tax.

That table is now set forth, and you will notice that it is in two parts, one dealing with amounts and the other dealing with percentages, so that, as an instance, a \$2,000 income receives \$140 of forgiveness under the Ruml-Carlson bill, \$140 of forgiveness under the House bill, and only \$100 under the Ways and Means Committee bill. On the other hand, a \$100,000 income receives \$64,060 of forgiveness or cancelation under the Ruml-Carlson bill, \$18,690 under the House bill, and \$11,357 under the Ways and Means Committee bill.

Expressed in terms of percentage this means that a person receiving an income of \$2,000, before personal exemption has forgiven 7½ percent of his income after tax under the Ruml-Carlson bill, whereas that percentage in the case of the \$100,000 income is 178.2 percent. That rise in percentage is not so extreme under the House bill, and is even less extreme under the Ways and Means Committee bill.

Senator TAFT. Mr. Paul, would you mind an interruption?

Mr. PAUL. No, indeed.

Senator TAFT. Take a person who has a \$10,000 income, \$5,000 from wages and \$5,000 from property; under the bill that was passed by the House, how would that be treated?

Mr. PAUL. Well, he has his \$5,000 from salary that is subjected to withholding.

Senator TAFT. Beginning in 1944, what does he do?

Mr. PAUL. He has to file an estimate because his \$5,000 income from sources other than salary is greater than \$100.

Senator TAFT. Yes.

Mr. PAUL. So, therefore, he has a substantial income outside of a salary, and he files an estimate.

Senator TAFT. At the end of 1944 he files a return for the year 1944?

Mr. PAUL. He files a return on March 15 which attempts to estimate his income for the year. He does that on March 15. Now, if his estimate turns out to be, in his opinion, too high he revises it on the next date, June, or September, or December, he revises it downward, or he may revise it upward. The objective is to get him to make an estimate which is within 80 percent accurate, and if he goes wrong by, say, 10 or 12 percent, no penalty attaches to him.

Senator TAFT. The 20 percent of it, or whatever it is, is deducted from the \$5,000 salary during the year 1944, and is applied to what? Is applied to his 1944 return?

Mr. PAUL. I am not sure that I understand the question.

Senator TAFT. I do not understand how the other \$5,000 works.

Mr. PAUL. He pays the basic tax on that.

Senator TAFT. For the previous year?

Mr. PAUL. No; he is paying it for the current year. That is why he is estimating in March of the current year what his whole income will be for the entire year. That is why we have to put in provisions for correction of that estimate which may be wrong when made as early as March. He pays in quarterly installments the tax on an estimated income.

Senator TAFT. Is he on a current basis, or isn't he? That is what I want to know.

Mr. PAUL. He is on a current basis.

Senator TAFT. How does he get on a current basis? By paying 2 years' taxes in 1 year?

Mr. PAUL. No; not under the House bill. He only pays the basic liability of 20 percent. He is on a current basis if his income for the year does not exceed the first surtax bracket. That is true of most taxpayers.

Senator TAFT. I am taking the taxpayer above \$10,000.

Mr. PAUL. He would not be on a current basis with respect to his liability above the basic-surtax liability.

Senator TAFT. I understand the other two bills clearly enough, but I do not understand the House bill.

Senator BARKLEY. In the case mentioned by the Senator from Ohio, a man with net income of \$10,000, \$5,000 salary and \$5,000 other income, he makes his return and, of course, he estimates, we will say, that that is his income for 1944. As far as the \$5,000 salary is concerned, he does not have to fool around about that because that is going to be collected anyhow at the source.

Mr. PAUL. That is right.

Senator BARKLEY. As far as the other \$5,000 is concerned, he estimates his income will be that and he pays currently on that estimate, subject to any readjustment, I presume, during the balance of the year if it turns out that he has overestimated or underestimated as far as that \$5,000 is concerned; is that correct?

Mr. PAUL. Yes. Let me go right through that situation on that particular case and we will perhaps get that perfectly clear. This man has a \$5,000 salary that is subject to collection at the source at 20 percent. He estimates in March that he will have a \$5,000 income from sources other than salary, he makes that estimate in March and quarterly through the year he pays 20 percent on that.

Senator TAFT. What happens to his previous year's tax? Is it forgiven?

Mr. PAUL. The previous year's tax is not forgiven. It is paid right along as under the present law. For instance, his tax for 1943, if it is above the basic liability, will be paid in 1944, but his 1944 taxes above the basic liability will not be paid until 1945.

Senator TAFT. Then, in 1944, on his estimated earnings, he does not pay on the \$5,000 that he estimates?

Mr. PAUL. He does not pay the full tax; he pays the basic tax on that income, and the following year he pays the additional over the 20 percent. In other words, the taxpayer is 1 year behind, as under the present law, with respect to all his tax above his basic tax.

Senator VANDENBERG. You are speaking about the House bill?

Mr. PAUL. Yes.

Senator TAFT. So, in 1944, in the first place he pays the amount withheld; in the second place he pays 20 percent of his 1944 income over and above the \$5,000 in salaries; and in the third place he pays the previous year's tax on the excess over the basic surtax income.

Mr. PAUL. That is right. If he had a higher income beyond the range of the basic surtax for the year before he would be paying in 1944 his tax on that excess 1943 income.

Senator TAFT. He is paying on three different calculations. The first is paid for him through withholding, the second he is paying part of his 1944 tax, and the third he is paying part of his 1943 taxes; is that right?

Mr. PAUL. That is right.

Senator BARKLEY. He does not pay it all in that year, though. It is spread over 3 years.

Mr. PAUL. Not under the House bill. Under the House bill, as Senator Taft says, he pays the three blocks of taxes. Assuming he had tax liability in 1943 over the basic liability, he has a balance of tax for that year to pay, and he pays that in 1944. He has 20 percent collected at the source on his \$5,000 salary, and he pays 20 percent on his \$5,000 other income, but he does not pay in 1944 any tax for that year above the basic tax liability.

Senator VANDENBERG. Now, what happens to him under the Ruml-Carlson bill?

Mr. PAUL. Under the Ruml-Carlson bill the principal difference is that he would be paying the full amount of his current tax in the current year. The Ruml-Carlson bill, subject to this windfall limitation, would be forgiving entirely his 1942 tax liability, and then in 1943 and in subsequent years he would be paying the tax collected

at the source and he would be paying on the full \$10,000, his current liability. He does not carry over, under the Ruml-Carlson bill, his excess liability over the basic surtax for the following year.

Senator VANDENBERG. It is a considerably simpler computation.

Mr. PAUL. I would not rush to that conclusion.

Senator VANDENBERG. I don't want you to rush.

Mr. PAUL. I have been rushing lately quite a good deal.

This requirement of taking taxpayers over to the next year with respect to the amount of tax above the basic liability, applies, you realize, only to a limited number of taxpayers. I gave the percentage. It is 4,000,000 out of the 44,000,000 taxpayers estimated for 1943.

Senator LODGE. They are both the same, so far as overestimates, underestimates are concerned; both provisions are the same amount?

Mr. PAUL. That is right. The principal difference between the Ruml-Carlson bill and the House bill is in this matter of cancelation for 1942 and the item I just mentioned, which is whether there is any carry-over of tax payment to the following year with respect to the amount above the basic surtax rate.

Senator TAFT. In the House bill, in figuring your current tax, do you have to figure according to a table of exemptions again as to what you pay on the excess income, or do you just pay 20 percent only on the \$5,000?

Mr. PAUL. That is right. The House bill collects currently only the basic tax of 20 percent, leaving all excess tax over that to be paid as under the present law the following year.

(The table referred to by Mr. Paul (Tr. p. 21), is as follows:)

Net income before personal exemption	Income tax, present law (married person, no dependents)	Income after tax	Amount forgiven under—		
			Ruml-Carlson bill	House bill	Ways and Means Committee bill
\$2,000.....	\$140	\$1,860	\$140	\$140	\$100
\$3,000.....	324	2,676	324	324	192
\$5,000.....	746	4,254	746	691	388
\$10,000.....	2,152	7,848	2,152	1,614	860
\$25,000.....	9,220	15,780	9,220	4,437	2,396
\$100,000.....	64,060	35,940	64,060	18,690	11,357
\$1,000,000.....	854,000	146,000	854,000	189,750	121,126

Net income before personal exemption	Income after tax	Amount forgiven as percent of income after tax under—		
		Ruml-Carlson bill	House bill	Ways and Means Committee bill
		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
\$2,000.....	\$1,860	7.5	7.5	5.4
\$3,000.....	2,676	12.1	12.1	7.2
\$5,000.....	4,254	17.5	16.2	9.1
\$10,000.....	7,848	27.4	20.6	11.0
\$25,000.....	15,780	58.4	28.1	15.2
\$100,000.....	35,940	178.2	52.0	31.6
\$1,000,000.....	146,000	584.9	130.0	83.0

Mr. PAUL. From the above table, it is clear that while all three bills are more generous to the higher income groups than to lower income groups, the Ruml-Carlson plan is much more extreme in this effect. This may be perhaps clearer from the following illustrations:

A person with an income before taxes of \$2,000 whose actual income after taxes is \$1,860, under the Ruml-Carlson bill, would have \$140 added to his \$1,860, or slightly less than 4 weeks' actual income.

A person with \$5,000 income before taxes whose actual income after taxes is \$4,254 would have \$746 added by the Ruml-Carlson bill, or slightly less than 9 weeks' actual income.

The person with \$10,000 income before taxes whose actual income after taxes is \$7,848 would have \$2,152 added, or nearly 14 weeks' actual income.

The person with \$50,000 income before taxes whose actual income after taxes is \$24,672 would have \$25,328 added, or a little more than one year's actual income.

The person with \$100,000 income before taxes whose actual income after taxes is \$35,940 would have \$64,060 added, or about 20 months' actual income.

The person with \$1,000,000 before taxes whose actual income after taxes is \$146,000 would have \$854,000 added, or about 6 years' actual income.

Thus, the Ruml-Carlson plan would add actual income ranging from 4 weeks for the \$2,000 man to 6 years for the million-dollar man.

Senator LODGE. Added to what, Mr. Paul?

Mr. PAUL. Added to his wealth; added to his assets.

Senator LODGE. Given from whom to whom?

Mr. PAUL. I said a little while ago, Senator, under any plan of tax forgiveness or cancelation, whichever one it is, when a tax is forgiven or canceled the person has that much added to his wealth, and I say that in these terms he does not owe that money, he does not owe the money he formerly owed. Remission of a debt is just as much addition to wealth as any other type of addition to wealth.

Senator LODGE. How do you figure the debt is remitted?

Mr. PAUL. It is under all these plans. A certain amount is remitted or canceled. I am now addressing myself only to the question of how much is remitted and the relationship that bears to the income after taxes in the year of remission.

Senator LODGE. It is a question of philosophy. After the First World War there was a program for reducing taxes, a legislative program. Would that have constituted remission in your judgment?

Mr. PAUL. As I remember, that was in 1924.

Senator LODGE. Yes.

Mr. PAUL. It related to the year previous to the year of enactment. I suppose that would be a remission comparable to what we have now.

Senator LODGE. Any legislative change in tax legislation, unless it is an upward change, is a remission of debt; is that it?

Mr. PAUL. If you are applying it to a year where the income has been earned and the tax liability has therefore accrued.

Senator LODGE. That does not explain the construction on the thing.

Mr. PAUL. It would not be remission if you reduced the taxes next year, because nothing has accrued yet.

Senator BARKLEY. Is not the theory of all these bills that the remission goes out entirely, that is, after you get over the hump for 1942 taxes, you get on a current basis and there isn't any further remission.

Mr. PAUL. That is right. The remission is related to 1 year, 1942.

Senator BARKLEY. When you get rid of that then there is not any further remission through the years that are to come.

Mr. PAUL. That is right.

Senator CLARK. It all depends on what is the remission period.

Mr. PAUL. That is right. The whole controversy related to remission for 1 year. The rest stayed the same, for all purposes of discussion here. The rest which stayed the same would apply to the income of the current year instead of being collected on the basis of a previous year's income. We are not talking about anything more than 1 year's cancelation of all or a part of the liability for that year. It is all a matter of remission, as you see.

Senator VANDENBERG. When you speak of these remissions adding to wealth, you are talking about bookkeeping wealth, you are not talking about expendable wealth?

Mr. PAUL. I am talking about very real expendable wealth, Senator Vandenberg.

Senator VANDENBERG. I do not see how.

Senator CONNALLY. What you mean is the tax has already accrued as an asset to the Government, and if you forgive it it transfers the asset over to the taxpayer.

Mr. PAUL. That is taking it in the real sense of the term, Senator. You can call it an asset or not call it an asset in the bookkeeping sense. In the bookkeeping sense, it is not on the Government's books until March 15, but I agree with you in every real sense it has completely accrued. When you remit all or a portion of that asset, or cancel that asset, it is not a bookkeeping transaction, it is a very real transaction, and the person who receives the remission has that much money added to his wealth.

Senator CONNALLY. If a man owes me \$100 and I tell him he need not pay it, that adds to his wealth, and it is comparable with the situation we have here?

Mr. PAUL. Yes.

Senator VANDENBERG. I do not think that is comparable. I am paying so much in taxes this year, and this year I have not done anything, so what good is that wealth that you have added?

Mr. PAUL. It is true on a receipts basis or cash basis you are going to pay your next year's taxes and you will take just as much money out of your pocket and pay it to the Government, I agree with you completely there; but if you talk about how much money you have, how much wealth you have, you are better off, Senator Vandenberg, to the extent that you have been relieved of a tax liability which otherwise you would have to pay.

I want to make this point clear in addition: This is a very real point. If you reserve the taxes, as a great many people do, and unfortunately not all people do, then you can take that money that you have in the bank with which to pay the taxes and you can spend it, you can do anything you please with it.

Senator TAFT. You need it next year just the same as you need it now, even if you put it on a current basis. I never save for next year's taxes anyway, but any man who did save for next year's taxes would still have to save for the current year's taxes.

Mr. PAUL. He would have the money, as he went along, with which to pay the current year's taxes.

Senator TAFT. Not one bit more than he does today.

Senator VANDENBERG. It looks to me like the only satisfaction I am going to get in surveying the increased wealth you will give me is to read your speech, because I don't find it any place else.

Senator TAFT. If you did not pay and you died, would your estate be liable for it?

Mr. PAUL. There is not any question about that. You do not pay that money in the form of estate taxes, that is, all of it. The estate tax does not recoup all of it.

Senator BARKLEY. None of us want to die in order to increase our wealth.

Senator TAFT. Why don't you pay it in the estate tax?

Mr. PAUL. Because the estate tax is very much lower.

Senator TAFT. Yes, but you pay a substantial part in increased estate taxes.

Mr. PAUL. I think the word "increased" there is a pretty substantial word, Senator Taft. Your estate tax rates, when you get to very high estates, may recoup a substantial part, but by no means all of it.

A great many people's taxes would never be recouped at all; they would have a \$60,000 exemption, and, in addition, a great many people will not have that money at the time they die.

Senator TAFT. The very people that are held up here as examples are paying the higher estate taxes.

Mr. PAUL. Those rates are not anywhere near adequate.

Senator TAFT. It is not all, but it is a substantial part of it.

Mr. PAUL. Of course, they have the opportunity between now and their death to make gifts and remove that property from their estate.

Senator VANDENBERG. Are you going to indicate before you get through, Mr. Paul, which one of these three plans the Treasury Department recommends?

Mr. PAUL. Yes; I think so, at the very end.

Senator VANDENBERG. All right; I don't want to rush you.

Mr. PAUL. That is very kind of you, after working the way I have lately.

A third measure of the fairness of tax forgiveness is the comparison of the amounts of forgiveness with the amounts of tax increases which have been imposed to finance the defense and war efforts. These increases were contained in the Revenue Acts of 1940, 1941, and 1942. They were intended to impose fair and equitable wartime tax increases according to the judgment of Congress. What portion of these increases would be wiped out by tax forgiveness under the three bills at

various levels of income? The answer to this question is seen in the following table for a few income levels:

Net income before personal exemption	Tax increases under acts of 1940, 1941, and 1942 for married person, no dependents	Amount forgiven as percent of tax increases under—		
		Ruml plan	House bill	Ways and Means Committee bill
\$2,000	\$182	76.9	76.9	55.0
\$3,000	469	69.1	69.1	40.9
\$5,000	991	75.3	69.7	39.2
\$10,000	2,740	78.5	58.9	31.4
\$25,000	12,460	74.0	35.6	19.2
\$100,000	62,833	102.0	29.7	18.1
\$1,000,000	267,006	319.8	71.1	45.4

From the above table, it is seen that in terms of taxes imposed for the war effort, the Ruml-Carlson bill would wipe out the whole increase as of January 1, 1943, for taxpayers with incomes of over \$100,000, and at the \$1,000,000 level would confer additional benefits amounting to nearly \$600,000. The other two bills avoid canceling a greater amount than the wartime tax increases, with respect to all taxpayers.

A fourth measure of the fairness of distributing forgiveness relates to the problem of increased taxes to finance the war. In the January 1943 Budget message, the President asked for "not less than \$16,000,000,000 of additional funds by taxation, savings, or both." In whatever form additional taxes are imposed, it is inevitable that by and large the increases will fall proportionately most heavily on the lower and middle incomes since it is not feasible to raise the rates on the higher incomes proportionally. The increased taxes will apply to periods subsequent to 1942. If 1942 taxes are to be forgiven for the purpose of getting the great mass of our taxpayers on a pay-as-you-go basis, it would seem obvious justice that insofar as possible those who benefit by the forgiveness should be subject at least to an equal amount of additional burdens. It would be grossly inequitable to forgive taxes to income groups on whom future tax increases cannot be imposed and then to impose heavy tax increases on other income groups.

With respect to the possibility of reimposing the canceled taxes on the same income levels, the following table shows the effective rates of tax increase which would have to be applied to selected net incomes under each plan to recoup over a 3-year period the tax forgiven on those amounts of income:

Net income before personal exemption	Effective rates of income and net Victory tax liability present law for married person, no dependents	Effective tax rate increase necessary to recoup canceled taxes at same income levels over a 3-year period		
		Ruml-Carlson bill	House bill	Ways and Means Committee bill
	Percent	Percent	Percent	Percent
\$2,000	9.4	2.3	2.3	1.7
\$3,000	13.5	3.6	3.6	2.1
\$5,000	17.9	5.0	4.6	2.6
\$10,000	24.7	7.2	5.4	2.9
\$100,000	68.6	21.4	6.2	3.8
\$1,000,000	89.9	28.5	6.3	4.0

From the above table, it is apparent that the effective rates necessary under the Ruml-Carlson bill necessary to offset the forgiven taxes by rate increases applied over 3 years would exceed 100 percent for the higher income brackets. The bracket rates of tax would have to be even higher.

Senator TAFT. The Ways and Means Committee bill, that is recommended by the Treasury, did that too. There is no difference.

Mr. PAUL. That is an entirely different point that you have in mind. It is true that under the Ways and Means Committee bill, subject to a relief measure that was considered by the committee, the payments in any one year would arise above 100 percent of that particular year's income, but this is an entirely different point, Senator Taft. This goes to the point of whether you can impose an increase in taxes on the same people whose taxes are forgiven. This discussion does not refer to payment in any particular year.

In the light of these facts, whatever other objections may be brought against the House bill and the Ways and Means Committee bill, these bills cannot properly be criticized as distributing 1942 tax forgiveness less uniformly and less fairly among taxpayers than the Ruml-Carlson bill. On the contrary they are much more equitable in their distribution of forgiveness than the Ruml-Carlson bill, which would result in a substantial redistribution of income in the direction of the higher income levels.

9. SUMMARY

With respect to the collection at the source and the current tax-payment provisions, the Treasury believes there is little room for choice between the three major bills. All three provide for the fundamental change in tax-payment methods which is necessary in our tax law. While the House bill does not place the higher surtax bracket incomes on a fully current basis, it must be recognized that the taxpayers in these brackets are best able to provide in advance for taxes.

Any choice between the three bills must, therefore, be based primarily upon the treatment provided with respect to the 1942 tax liability. Insofar as the distribution of forgiveness is concerned, the Treasury Department believes that both the Ways and Means Committee bill and the House bill distribute the cancellation of the 1942 tax on a reasonably equitable and fair basis. However, the smaller amount of cancellation under the Ways and Means Committee bill results in a substantial increase in the revenue collections in the next few years at a time when such an increase is vitally necessary. The Treasury therefore believes that the Ways and Means Committee bill possesses a definite advantage over the House bill. With respect to the Ruml-Carlson bill, as has already been indicated, the distribution of forgiveness is thoroughly inequitable and unfair. While this bill would produce some additional revenue in the fiscal year 1944, this aspect is more than offset by the factor of inequitable treatment of the 1942 tax. The Treasury therefore believes that the Ruml-Carlson bill is definitely inferior to both the Ways and Means Committee bill and the House bill.

Finally, I should like to emphasize an aspect of which your committee is fully aware, as indicated by the promptness with which these hearings have been commenced. This is the importance of prompt

action in order to permit current collection to start by July 1 of this year. The Bureau of Internal Revenue has already taken preliminary steps to prepare for speedy inauguration of the current collection system should the Congress complete its action by May 15. I think it is vitally important both from the standpoint of the taxpayer and the standpoint of the Government to have collection at source under way by July 1. I therefore hope that the committee will take action on this bill in time to permit accomplishment of this objective.

(The exhibits submitted by Mr. Paul are as follows:)

EXHIBIT 1.—*Amounts of individual net income tax and effective rates of tax for 1942 under (1) present law, (2) Ruml-Carlson bill, (3) House bill, and (4) Ways and Means Committee bill, at selected levels of net income*

MARRIED PERSON—NO DEPENDENTS

Net income before personal exemption ¹	Tax on 1942 income				Effective rates			
	Present law	Ruml- Carlson bill	House bill	Ways and Means Committee bill	Present law	Ruml- Carlson bill	House bill	Ways and Means Commit- tee bill
					Percent	Percent	Percent	Percent
\$1,200.....								
\$1,500.....	\$48				3.2			
\$1,800.....	103			\$22	5.7			1.2
\$2,000.....	140			40	7.0			2.0
\$2,500.....	232			86	9.3			3.4
\$3,000.....	324			132	10.8			4.4
\$4,000.....	532		\$25	236	13.3		0.6	5.9
\$5,000.....	746		55	358	14.9		1.1	7.2
\$6,000.....	992		117	505	16.5		2.0	8.4
\$8,000.....	1,532		289	861	19.2		3.6	10.8
\$10,000.....	2,152		538	1,292	21.5		5.4	12.9
\$15,000.....	4,052		1,513	2,705	27.0		10.1	18.0
\$20,000.....	6,452		2,963	4,581	32.3		14.8	22.9
\$25,000.....	9,220		4,783	6,824	36.9		19.1	27.3
\$50,000.....	25,328		16,143	20,393	50.7		32.3	40.8
\$100,000.....	64,060		45,370	52,703	64.1		45.4	52.7
\$500,000.....	414,000		319,210	345,394	82.8		63.9	69.1
\$1,000,000.....	854,000		664,250	732,874	85.4		66.4	73.3
\$5,000,000.....	4,374,000		3,423,930	3,922,844	87.5		68.5	78.5

¹ Maximum earned net income assumed.

Treasury Department, Division of Tax Research.

EXHIBIT 2.—Amounts and percents of 1942 tax canceled under Ruml-Carlson bill, House bill, and Ways and Means Committee bill at selected levels of net income

MARRIED PERSON—NO DEPENDENTS

Net income before personal exemption ¹	1942 income tax	Amount of 1942 tax canceled			Percent of 1942 tax canceled		
		Ruml-Carlson bill	House bill	Ways and Means Committee bill	Ruml-Carlson bill	House bill	Ways and Means Committee bill
					Percent	Percent	Percent
\$1,200.....							
\$1,500.....	\$48	\$48	\$48	\$48	100.0	100.0	100.0
\$1,800.....	103	103	103	81	100.0	100.0	78.6
\$2,000.....	140	140	140	100	100.0	100.0	71.4
\$2,500.....	232	232	232	146	100.0	100.0	62.9
\$3,000.....	324	324	324	192	100.0	100.0	59.3
\$4,000.....	532	532	507	296	100.0	95.3	55.6
\$5,000.....	746	746	691	388	100.0	92.6	52.0
\$6,000.....	992	992	875	487	100.0	88.2	49.1
\$8,000.....	1,532	1,532	1,243	671	100.0	81.1	43.8
\$10,000.....	2,152	2,152	1,614	860	100.0	75.0	40.0
\$15,000.....	4,052	4,052	2,539	1,347	100.0	62.7	33.2
\$20,000.....	6,452	6,452	3,489	1,871	100.0	54.1	29.0
\$25,000.....	9,220	9,220	4,437	2,396	100.0	48.1	26.0
\$50,000.....	25,328	25,328	9,185	4,935	100.0	36.3	19.5
\$100,000.....	64,060	64,060	18,690	11,357	100.0	29.2	17.7
\$500,000.....	414,000	414,000	94,710	68,606	100.0	22.9	16.6
\$1,000,000.....	854,000	854,000	189,750	121,126	100.0	22.2	14.2
\$5,000,000.....	4,374,000	4,374,000	950,070	451,156	100.0	21.7	10.3

¹ Maximum earned net income assumed.

Treasury Department, Division of Tax Research.

EXHIBIT 3.—Income and net Victory tax payments due in calendar year 1944, and effective rates under the Ruml-Carlson bill, House bill, and Ways and Means Committee bill at selected levels of net income ¹

MARRIED PERSON—NO DEPENDENTS

TAX PAYMENTS DUE

Net income before personal exemption ²	Under both the Ruml-Carlson bill and the House bill	Under the Ways and Means Committee bill	
		If no discount is taken	If 6-percent discount is taken ³
\$1,200.....	\$21	\$21	\$21
\$1,500.....	79	79	79
\$1,800.....	144	151	165
\$2,000.....	188	201	226
\$2,500.....	297	326	378
\$3,000.....	405	449	529
\$4,000.....	647	726	869
\$5,000.....	894	1,013	1,231
\$6,000.....	1,173	1,341	1,648
\$8,000.....	1,780	2,067	2,589
\$10,000.....	2,467	2,898	3,681
\$15,000.....	4,533	5,435	7,076
\$20,000.....	7,100	8,627	11,406
\$25,000.....	10,035	12,310	16,450
\$50,000.....	27,075	33,873	46,244
\$100,000.....	68,584	86,152	118,125
\$500,000.....	440,747	555,878	765,417
\$1,000,000.....	⁴ 899,000	1,143,291	1,587,902
\$5,000,000.....	⁴ 4,499,000	5,806,615	8,186,473

¹ Net income for 1942, 1943, and 1944 assumed to be same. For Victory tax purposes, gross income assumed to be ten-ninths of net income. Net Victory tax is used on assumption that taxpayer receives current benefit of post-war credit.

² Maximum earned net income assumed.

³ Under the Ways and Means Committee bill a discount of 6 percent is allowed if the entire amount of the reduced tax for 1942 is paid on or before March 15, 1944.

⁴ Taking into account maximum effective rate limitation of 90 percent on combined net income and Victory tax.

EXHIBIT 3.—*Income and net Victory tax payments due in calendar year 1944, and effective rates under the Ruml-Carlson bill, House bill, and Ways and Means Committee bill at selected levels of net income—Continued*

EFFECTIVE RATES

Net income before personal exemption	Under both the Ruml-Carlson bill and the House bill	Under the Ways and Means Committee bill	
		If no discount is taken	If 6-percent discount is taken
	Percent	Percent	Percent
\$1,200.....	1.8	1.8	1.8
\$1,500.....	5.3	5.3	5.3
\$1,800.....	8.0	8.4	9.2
\$2,000.....	9.4	10.1	11.3
\$2,500.....	11.9	13.0	15.1
\$3,000.....	13.5	15.0	17.6
\$4,000.....	16.2	18.2	21.7
\$5,000.....	17.9	20.3	24.6
\$6,000.....	19.6	22.4	27.5
\$8,000.....	22.3	25.8	32.4
\$10,000.....	24.7	29.0	36.8
\$15,000.....	30.2	36.2	47.2
\$20,000.....	35.5	43.1	57.0
\$25,000.....	40.1	49.2	65.8
\$50,000.....	54.2	67.7	92.5
\$100,000.....	68.6	86.2	118.1
\$500,000.....	88.1	111.2	163.1
\$1,000,000.....	89.9	114.3	158.8
\$5,000,000.....	90.0	116.1	163.7

Treasury Department, Division of Tax Research. May 5, 1943.

⁴ Taking into account maximum effective rate limitation of 90 percent on combined net income and Victory tax.

EXHIBIT 4.—*Approximate distribution of income recipients by percentage of total liabilities discharged currently under the House bill*

[Calendar year 1943]

Percentage of total liability discharged currently	Number of taxable income recipients (millions)	Percentage of all taxable income recipients	Cumulative percentage of all taxable income recipients	Maximum amount of tax not discharged currently
100.....	38.7	88.8	88.8	0
90 to 100.....	4.2	9.6	98.4	90
75 to 90.....	.3	.7	99.1	550
50 to 75.....	.3	.7	99.8	4,200
25 to 50.....	.1	.2	100.0	115,000
Less than 25.....	.002	.004	100.0	-----
Total.....	43.6	100.0	-----	-----

EXHIBIT 5

Estimated income-tax liabilities due under the Carlson amendment, as amended, to H. R. 2570 as voted on in the House of Representatives May 4, 1943, which would—

(1) Remit to all taxpayers the net income-tax liabilities on calendar year 1942 income as modified in provision (2).

(2) Allow any member of the armed forces in active service an exclusion from base pay received after December 31, 1941, equal to the excess of \$3,500 over the personal exemption claimed by such member (and by his spouse if such member is married and living with his spouse on the last day of the taxable year, and such spouse is not entitled to the benefit of this allowance).

(3) By June 15, 1943, require payment of at least one-half of proposed net income-tax liabilities on income of the calendar year 1942, to be treated as payments toward income-tax liabilities on calendar year 1943 income.

(4) Withhold after June 30, 1943, from salaries and wages in excess of the withholding allowance (110 percent of the personal exemption and dependent credit) at a rate of 17 percent; and in addition, withhold from salaries and wages in excess of an annual rate of \$624 at a rate of 3 percent, in lieu of the 5-percent Victory tax now withheld on salaries and wages.

(5) For those taxpayers whose calendar year 1942 and calendar year 1943 surtax net incomes exceed calendar year 1940 surtax net income by more than \$5,000, compute an additional calendar year 1943 tax liability as follows: From the smaller of the surtax net income of the calendar years 1942 and 1943, deduct the sum of \$5,000 plus the calendar year 1940 surtax net income. The additional tax is the sum of 6 percent of such difference plus the surtax computed on such difference at present law rates, and is due by December 15, 1943.

(6) For those taxpayers whose present-law calendar year 1942 net income-tax liability is both greater than \$1,050 and greater than the calendar year 1943 tax liability, add to present-law calendar year 1943 net income-tax liabilities the smaller of the excesses of present-law calendar year 1942 net income-tax liabilities over (a) \$1,050 or (b) present-law calendar year 1943 net income-tax liabilities. This additional tax is due by December 15, 1943.

(7) Require that total proposed tax liabilities (comprising the proposed net Victory tax and the proposed net income tax but excluding the two additional taxes described in provisions (5) and (6)) on incomes of the calendar years 1943 and subsequent years be paid currently. Quarterly payments are required on September 15 and December 15, 1943, to discharge such part of the proposed tax liabilities on income of the calendar year 1943 required to be paid currently as is not withheld during the calendar year 1943 or discharged by payments prior to June 15, 1943. Quarterly payments are required in subsequent years in such amounts that, together with the amounts withheld, tax liabilities will be paid currently.

Estimated income tax liabilities due: ¹	<i>Million dollars</i>
Last 6 months of fiscal year 1943.....	5, 277. 7
First 6 months of fiscal year 1944.....	8, 383. 3
Last 6 months of fiscal year 1944.....	6, 879. 8
 Total, 18 months, Jan. 1, 1943, to June 30, 1944.....	 20, 540. 8
Calendar year 1943.....	13, 661. 0
Fiscal year 1944.....	15, 263. 1

Reconciliation of total proposed income tax liabilities, 18 months, Jan. 1, 1943, to June 30, 1944, with total tax liabilities under present law on incomes of the calendar years 1942, 1943, and 1944:

Total income tax liabilities, 18-month period, Jan. 1, 1943, to June 30, 1944.....	20, 540. 8
Amount withheld but not received until after June 30, 1944 (3 months' withholding).....	1, 462. 6
Proposed net income tax and Victory tax liabilities through Dec. 31, 1944, not withheld or paid through June 30, 1944.....	6, 957. 0
Reduction proposed in tax liabilities of the armed forces on incomes of the calendar years 1942, 1943, and 1944 ²	1, 967. 7
Proposed net income tax liabilities remitted in addition to the special exclusion allowed to the armed forces.....	9, 451. 3
Elimination of additions to 1943 net income-tax liabilities—	
"Windfall provision".....	—455. 9
"Excess-profits tax".....	—676. 9

Total tax liabilities under present law on income of the calendar years 1942, 1943, and 1944.....	39, 246. 6
Total tax liabilities under Carlson proposal on income of the calendar years 1942, 1943, and 1944.....	28, 960. 4

¹ Total taxable income for a calendar year is assumed to be distributed equally among the 4 quarters of the year. Calendar year 1944 income has not been forecast, but has been assumed to be the same as forecast for calendar year 1943.

² The loss with respect to tax liabilities on income of the calendar year 1944 should be somewhat greater, but has been assumed to be the same as on income of the calendar year 1943. Calendar year 1942 and calendar year 1943 net income tax liabilities are reduced by \$363.9 millions and \$670.1 millions, respectively. Calendar 1943 net Victory tax liabilities are reduced by \$131.8 millions.

NOTE.—Figures are rounded and will not necessarily add to totals.

Source: Treasury Department, Division of Research and Statistics, May 5, 1943.

EXHIBIT 6

Estimated income-tax liabilities ¹ due under H. R. 2570 as passed by the House of Representatives on May 4, 1943: The estimates assume that H. R. 2570 would:

(1) Remit the basic tax liabilities on income of the calendar year 1942 (normal tax plus 13 percent of entire surtax net income).²

(2) Allow any member of the armed forces in active service an exclusion from base pay received after December 31, 1941, equal to the excess of \$3,500 over the personal exemption claimed by such member (and by his spouse if such member is married and living with his spouse on the last day of the taxable year, and such spouse is not entitled to the benefit of this allowance).

(3) By June 15, 1943, require payment of at least one-half of proposed net income tax liabilities (prior to remission of basic tax liabilities) on income of the calendar year 1942.

(4) Withhold after June 30, 1943, from salaries and wages in excess of the withholding allowance (110 percent of the personal exemption and dependent credit) at a rate of 17 percent; and in addition withhold from salaries and wages in excess of an annual rate of \$624 at a rate of 3 percent, in lieu of the 5 percent Victory tax now withheld on salaries and wages.

(5) In case gross income from sources other than salaries and wages can reasonably be expected to exceed \$100 for the current calendar year, require certain current payments to be applied toward basic tax liabilities and net Victory tax liabilities not withheld at source.² Such current payments are equal to 20 percent of the excess of estimated net income over the larger of (a) estimated salaries and wages or (b) personal exemption plus dependent credit.

(6) Require that any basic tax liabilities or net Victory tax liabilities not paid currently be paid by March 15 of the following year.²

(7) Require payments of "balance tax liabilities" (the excess of total net income tax liabilities over liabilities for basic tax ² equal to normal tax plus 13 percent of entire surtax net income) to be collected as under present law; namely, in the year following the calendar year in which the taxable income is received.

Estimated income-tax liabilities due:

	<i>Million dollars</i>
Last 6 months of fiscal year 1943.....	5, 277. 7
First 6 months of fiscal year 1944.....	5, 102. 5
Last 6 months of fiscal year 1944.....	7, 920. 3
 Total, 18 months, Jan. 1, 1943, to June 30, 1944.....	 18, 300. 5
Calendar year 1943.....	10, 380. 2
Fiscal year 1944.....	13, 022. 8

¹ Total taxable income for a calendar year is assumed to be distributed equally among the four quarters of the year. Calendar year 1944 income has not been forecast, but has been assumed to be the same as forecast for calendar year 1943.

² The bill includes the net Victory tax liability of the calendar year 1943 and subsequent years as a part of basic tax liability. For convenience in estimating, net Victory tax liabilities are treated separately.

Reconciliation of total income-tax liabilities, 18 months, Jan. 1, 1943, to June 30, 1944, with total income-tax liabilities under present law on incomes of the calendar years 1942, 1943, and 1944:

	Million dollars
Total tax liabilities, 18 months period, Jan. 1, 1943, to June 30, 1944.....	18,300.5
Amount withheld but not received until after June 30, 1944 (3 months' withholding).....	1,462.6
Proposed tax liabilities through Dec. 31, 1944, not withheld or paid through June 30, 1944:	
Calendar year 1943 liabilities.....	1,375.6
Calendar year 1944 liabilities.....	8,902.3
Total	10,277.9
Reduction proposed in tax liabilities of the armed forces on incomes of the calendar years 1942, 1943, and 1944 ³	1,967.7
Proposed calendar year 1942 basic tax liabilities remitted in addition to the special exclusion allowed to the armed forces.....	7,237.9
Total tax liabilities under present law on income of the 36-month period, Jan. 1, 1942, to Dec. 31, 1944.....	39,246.6
Total tax liabilities under H. R. 2577 on income of the 36-month period, Jan. 1, 1942, to Dec. 31, 1944.....	30,041.0

³ The loss with respect to tax liabilities on income of the calendar year 1944 should be somewhat greater, but has been assumed to be the same as on income of the calendar year 1943. Calendar year 1942 and calendar year 1943 net income tax liabilities are reduced by 363.9 millions dollars and 670.1 million dollars, respectively. Calendar year 1943 net Victory tax liabilities are reduced by 131.8 million dollars.

NOTE.—Figures are rounded and will not necessarily add to totals.

Source: Treasury Department, Division of Research and Statistics, May 5, 1943.

EXHIBIT 7

Estimated income tax liabilities¹ due under H. R. 2570 as reported by the Committee on Ways and Means, April 24, 1943, which would:

(1) Remit to all taxpayers the difference between the net income tax liabilities on calendar year 1942 incomes as modified in provision (2) and such liabilities computed under a rate schedule applied to calendar year 1942 tax liabilities which approximates the yield derived by using the lower tax rates and the larger personal exemptions and dependent credit of the Revenue Act of 1941.

(2) Allow any member of the armed forces in active service an exclusion from base pay received after December 31, 1941, equal to the excess of \$3,500 over the personal exemption claimed by such member (and by his spouse if such member is married and living with his spouse on the last day of the taxable year and such spouse is not entitled to the benefit of this allowance).

(3) By June 15, 1943, require payment of at least one-half of proposed net income-tax liabilities on income of the calendar year 1942.

(4) Withhold after June 30, 1943, from salaries and wages in excess of the withholding allowance (110 percent of the personal exemption and dependent credit) at a rate of 17 percent; and in addition withhold from salaries and wages in excess of an annual rate of \$624 at a rate of 3 percent, in lieu of the 5 percent Victory tax now withheld on salaries and wages.

(5) Require the unremitted 1942 tax liabilities to be paid over a period of 3 years, one-third being due by March 15 of each of the years 1944, 1945, and 1946.

(6) Allow a discount of 6 percent of the unremitted tax if paid in full by March 15, 1944, and a discount of 2 percent if paid in full by March 15, 1945.

(7) Require that total proposed tax liabilities (including the net Victory tax) on incomes of the calendar years 1943 and subsequent years be paid currently. Quarterly payments are required on September 15 and December 15, 1943, to discharge such part of the proposed tax liabilities on income of the calendar year 1943 as is not withheld during calendar year 1943 or discharged by payments prior to June 15, 1943. Quarterly payments are required in subsequent years in such amounts that, together with the amounts withheld, tax liabilities will be paid currently.

¹ Total taxable income for a calendar year is assumed to be distributed equally among the four quarters of the year. Calendar year 1944 income has not been forecast, but has been assumed to be the same as forecast for calendar year 1943.

	Maximum discounts taken	No discounts taken
Estimated income-tax liabilities:		
Last 6 months of fiscal year 1943.....	\$5,277,700,000	\$5,277,700,000
First 6 months of fiscal year 1944.....	7,250,500,000	7,250,500,000
Last 6 months of fiscal year 1944.....	11,372,800,000	8,473,100,000
Total, 18 months, Jan. 1, 1943, to June 30, 1944.....	23,901,000,000	21,001,300,000
Calendar year 1943.....	12,528,200,000	12,528,200,000
Fiscal year 1944.....	18,623,300,000	15,723,600,000
Reconciliation of total tax liabilities, 18 months, Jan. 1, 1943, to June 30, 1941, with total-tax liabilities under present law on incomes of the calendar years 1942, 1943, and 1944—		
Total tax liabilities, 18 months period, Jan. 1, 1943, to June 30, 1944.....	23,901,000,000	21,001,300,000
Amount withheld but not received until after June 30, 1944 (3 months withholding).....	1,462,600,000	1,462,600,000
Proposed tax liabilities through Dec. 31, 1944, not withheld or paid through June 30, 1944.....	6,957,000,000	10,143,500,000
Reduction proposed in tax liabilities of the armed forces on incomes of the calendar years 1942, 1943, and 1944 ²	1,967,700,000	1,967,700,000
Proposed calendar year 1942 net income-tax liabilities remitted in addition to the special exclusion allowed to the armed forces.....	4,671,600,000	4,671,600,000
Discount allowed for prepayment of unremitted tax liabilities on calendar year 1942 income.....	286,800,000	
Total tax liabilities under present law on income of the calendar years 1942, 1943, and 1944.....	39,246,700,000	39,246,700,000
Total tax liabilities under H. R. 2570 on income of the calendar years 1942, 1943, and 1944.....	32,320,600,000	32,607,400,000

² The loss with respect to tax liabilities on income of the calendar year 1944 should be somewhat greater, but has been assumed to be the same as on income of the calendar year 1943.

NOTE.—Figures are rounded and will not necessarily add to totals.
Source: Treasury Department, Division of Research and Statistics.

EXHIBIT 8.—Estimated income tax liabilities due under present law¹

[In millions of dollars]

	Last 6 months of fiscal 1943	First 6 months of fiscal 1944	Last 6 months of fiscal 1944	Total 18 months Jan. 1, 1943, to June 30, 1944
Net income tax liability, calendar year 1942, in quarterly payments.....	4,907.6	4,907.6		9,815.2
Net income tax liability, calendar year 1943, in quarterly payments.....			5,994.6	5,994.6
Present law withholding.....	552.0	1,104.0	1,104.0	2,760.0
March 1944 adjustment:				
Net Victory tax liability, calendar year 1943.....	2,726.5			
Total withholdings.....	2,208.0			
Withholdings in excess of net Victory tax liability.....	740.0			
Withholdings offset against net Victory tax liability.....	-1,468.0			
Net Victory tax liability of calendar year 1943 not paid in calendar year 1943.....	1,258.5			
Payment in first 6 months of calendar year 1944 of ½ of net Victory tax liability of calendar year 1943 not paid in calendar year 1943.....			629.3	629.3
Refund to those having excess of Victory tax withholdings over sum of net income tax plus net Victory tax liability.....			-175.0	-175.0
Excess of withholdings over net Victory tax liability which is offset against net income tax liability on income of calendar year 1943.....			-565.0	-565.0
Total receipts.....	5,459.6	6,011.6	6,987.9	18,459.1

¹ Total taxable income for a calendar year is assumed to be distributed equally among the four quarters of the year. Calendar year 1944 income has not been forecast, but has been assumed to be the same as forecast for calendar year 1943.

EXHIBIT 8.—Estimated income tax liabilities due under present law—Continued

	Last 6 months of fiscal 1943	First 6 months of fiscal 1944	Last 6 months of fiscal 1944	Total 18 months Jan. 1, 1943, to June 30, 1944
Reconciliation of total receipts, 18 months, Jan. 1, 1943, to June 30, 1944, with total tax liabilities under present law on income of the calendar years 1942, 1943, and 1944:				
Victory tax withheld but not received in the first 6 months of calendar year 1944				552.0
Victory tax which will be withheld in last 6 months of calendar year 1944				1,104.0
Victory tax withholdings in excess of net Victory tax liability for calendar year 1944				-740.0
Calendar year 1943 Victory tax liability not received before July 1, 1944				629.3
Calendar year 1944 Victory tax liability not due until 1945				1,258.5
Net income tax liability on calendar year 1943 income not received before July 1, 1944				5,994.6
Net income tax liability on calendar year 1944 income not due until 1945				11,989.2
Total tax liabilities under present law on income of the calendar years 1942, 1943, and 1944				39,246.7

Source: Treasury Department, Division of Research and Statistics.

Senator VANDENBERG. What is the dead line for legislation mechanically? Around the 15th of May?

Mr. PAUL. It is around the 15th. I would hate to say if you pass the bill on the 16th we could not do it; there is a little flexibility, but the 15th is going to make it a pretty hard job.

The CHAIRMAN. Are there any questions, gentlemen, that the members of the committee wish to ask?

Senator BARKLEY. I would like to ask one question: Taking the three bills over the period of 3 years, we will say, from now, which one of them would result in the largest amount of revenue being brought into the Treasury?

Mr. PAUL. The Ways and Means Committee bill by a considerable amount. The Ways and Means Committee bill would leave unforgiven \$4,780,000,000. That is shown in exhibits 5, 6, and 7, Senator Barkley. The total tax liability under the Carlson proposal on income of the calendar years 1942, 1943, and 1944, shown in exhibit 5, is \$28,960,400,000, or virtually \$29,000,000,000. Exhibit 6 shows the corresponding figure for H. R. 2570 as passed by the House. The figure is \$30,041,000,000.

Senator BARKLEY. You have answered the question.

Mr. PAUL. The first figure under the Rumml-Carlson bill over that period would be practically \$29,000,000,000; under the House bill a little over \$30,000,000,000, and under the committee bill, \$32,607,400,000. So there is a difference of about \$3,600,000,000 over the Rumml-Carlson bill.

Senator BARKLEY. In percentages of forgiveness, roughly speaking, the Ways and Means Committee bill forgave approximately 50 percent of the 1942 taxes; the House bill as it passed, about 75 percent, and the Rumml plan 100 percent. Is that right, roughly?

Mr. PAUL. Those are rough figures, and those are percentages of aggregate tax liabilities of all taxpayers. It does not affect the question of distribution.

Senator BARKLEY. Yes; I understand.

Senator LA FOLLETTE. I was just going to say, Mr. Paul, that your statement, without criticizing it, seems to me to be somewhat in a vacuum. I mean, you have made this whole statement without making any reference to the possibility and the probability of an increase in taxes. Does not that alter the situation, and is not that a factor which must be taken into consideration? As a matter of fact, have not we about reached the saturation point on the upper brackets? Isn't it pretty clear that the impact of increased taxes is bound to fall on the people in the middle and lower brackets?

Mr. PAUL. Well, I made that point, Senator La Follette. You may have stepped out. It is on page 12 of my statement. I made that point as hard as I could. I do not know whether you were in the room at that time.

Senator LA FOLLETTE. Perhaps I was not.

Mr. PAUL. I quite agree with you. That is one of the principal tests of what should be forgiven and how the forgiveness should be distributed, because it certainly is perfectly clear you cannot raise the upper bracket, raise it appreciably over what it is now. You can raise rates appreciably only in the middle and lower income brackets.

Senator LA FOLLETTE. Whether you raise it by increased income taxes or whether you raise it by consumption taxes?

Mr. PAUL. That is immaterial.

Senator LA FOLLETTE. However you do it, it is pretty clear it is not, that increased tax burdens are going to fall not only on the people that we have come to think of as in the lower brackets, but it is going to fall on the people in the middle brackets as well?

Mr. PAUL. It is very true that the middle brackets will suffer by the adoption of the Ruml-Carlson plan, not only the lower but the middle brackets, for the reason that no substantial additional taxes can be imposed in the higher brackets, but substantial additional taxes can be imposed in the middle brackets.

Senator LA FOLLETTE. If they are not raised by income taxes they will be taken out in the form of consumption or other taxes?

Mr. PAUL. Yes. For the purpose of this discussion, it is perfectly immaterial whether you impose sales taxes to get additional revenue or an income-tax increase. The impact will be on the individual, and it will be principally in those brackets.

Senator LA FOLLETTE. The Treasury has been talking about \$16,000,000,000 of additional revenue, has it not?

Mr. PAUL. Well, the President's words were 16 billions. I will quote the President exactly:

Not less than \$16,000,000,000 of additional funds by taxation, savings, or both, during the fiscal year 1944.

Senator LA FOLLETTE. \$16,000,000,000 more to be taken out of the income stream in some way or another.

Mr. PAUL. You are right.

Senator LA FOLLETTE. That is one thing that seemed to me to be a factor that has not apparently gone over to the taxpayers. Here we are faced with at least an Executive request for \$16,000,000,000 more to be fried out of the taxpayers, and we are quarreling over how much we are going to give away of the 1942 liability. If we go in any direction towards reaching that goal in a substantial way, are not we going

to knock these so-called current taxpayers back in their baskets again? Are they going to be made uncurrent?

Mr. PAUL. They are going to have to pay substantial additional funds into the Treasury.

What you say leads me to recall a statement I made in my statement before the Ways and Means Committee on February 2. If you assume that most of the \$16,000,000,000 requested by the President will have to come from individuals—and I think that is a fair assumption—and you contrast that figure with \$13,000,000,000 of revenue for the fiscal year 1944 under existing income taxes from individuals, you immediately see that the collection of \$16,000,000,000 additional means more than the doubling of taxes.

Senator LA FOLLETTE. Well, if that happens, are the taxpayers going to be current?

Mr. PAUL. If you once adopt a current collection system, then all the increases would go along with the other taxes and the taxpayers would be current, but the number of dollars taken out of their pockets would be greater.

Senator TAFT. Unless they had to borrow money to pay the taxes, then they would not be current.

Mr. PAUL. They are current as far as the Government is concerned.

The CHAIRMAN. If you are to get \$16,000,000,000 more money out of the taxpayers, take it out of the stream of earnings or of income, you have got to get the most of the taxpayers current or they cannot stand it.

Mr. PAUL. I agree with you.

Senator JOHNSON. May I ask a question, Mr. Chairman?

The CHAIRMAN. Certainly.

Senator JOHNSON. On page 13 in paragraph 9 I note you say:

All three provide for the fundamental change in tax payment methods which is necessary in our tax law.

Do I understand from that, Mr. Paul, that some change must be made in your opinion?

Mr. PAUL. In my opinion, the wartime rates of tax require the institution of current tax collection as distinguished from our present system. I am really saying over again what I said in response to the chairman's question. In my opinion, we have got to have a current-tax-collection system if we are going to run along even with our present tax structure, not to mention increasing our taxes substantially.

Senator JOHNSON. Then, do I understand that your order of preference would be something like this: Your first preference would be the Ways and Means Committee bill; your second preference, the House bill; your third preference would be the Rumml plan, and your fourth preference would be no change whatsoever in the current tax system?

Mr. PAUL. Yes; that is substantially right, but I do not now want to make a statement on whether I prefer the Rumml plan to no plan at all.

Senator JOHNSON. That is the order?

Mr. PAUL. That is my order, with the exception indicated.

Senator JOHNSON. In other words, you would prefer the Rumml plan to no change at all?

Senator BARKLEY. You mean the Rumml plan in the raw, or as it has been modified?

Mr. PAUL. The Rumml plan in the raw is certainly less desirable than the modifications which were instituted by a succession of amendments in the House.

Senator LODGE. Mr. Chairman, I would like to ask Mr. Paul a question.

The CHAIRMAN. Yes; Senator Lodge.

Senator LODGE. Mr. Paul, if I may have your attention, I think it is very desirable to use words that accurately express our thought in this whole subject.

Mr. PAUL. So do I.

Senator LODGE. I am interested in this word "forgive" that is being used all the time. I would like to be enlightened on it, because the dictionary defines "forgive" as follows:

to give claim to requital from offender; to pardon, as one's enemies; to give up resentment or claim to requital on account of an offense; to forgive a wrong.

Surely the American people, through the Government, can change the taxes every year if they want. They cannot forgive themselves or penalize themselves. It is a change they can make every year. I know this was expressed, that they are making a change favorable to the taxpayer, they are not forgiving anything, they are making a change favorable to the taxpayer. Why isn't it better to call it that?

Mr. PAUL. I agree with you, Senator Lodge. We ought to try to get across our thought. I am not so much interested in the words. The word "forgiveness," whatever may be said in the dictionary about it, is constantly used with respect to the cancelation of indebtedness. It is used by the Supreme Court in that connection, and various other courts. You notice I did not always use the word "forgive," sometimes I used the word "cancel," and sometimes I think I used the word "remit." I was not so much interested in the words as the idea that a certain tax liability is wiped out or eliminated by this process. You can call it by any word you want.

Senator TAFT. If you cancel the last year's taxes and you impose new taxes that you pay in 1943, that you never had to pay before, it is a cancelation of that forgiveness.

Mr. PAUL. You cannot do it on the same basis, that is my point. If you could do that, if you could redistribute the tax load in exactly the same way you had forgiven it, I would not care about the forgiveness for one moment.

Senator TAFT. Senator Lodge raised a question that I would like to touch on, if I may. You say the Ways and Means bill would bring in two and one half to three billion dollars more revenue; is that right?

Mr. PAUL. Yes.

Senator TAFT. Now, I suggest that that is not really more revenue, that is a capital levy, under your own interpretation that this is an increase in the estate, and so forth. What you are doing is making those people pay out of capital this past tax. They will pay it out of capital, and therefore you have thrown on the market two or three billion dollars of securities or property, which will reduce the amount to be put into bonds. In other words, this additional revenue, so-called, under the Ways and Means Committee bill is not additional income revenue, it is a capital levy, in effect, and that will be its

effect, and it reduces the amount of money available for financing the war from bond issues.

Mr. PAUL. Your question really has two parts. In the first place, it would be problematical how many bonds would be thrown on the market, and that sort of thing. That is the latter part of the question.

On the question whether the Ways and Means Committee bill is a capital levy, it seems very clear to me it is not, or it is not contemplated to be a capital levy because the amount paid would be paid with respect to the 2 years' income, not 1 year's income.

Senator TAFT. That may be, but the fact is that anybody with an income over \$200,000 under the Ways and Means Committee bill has to pay more than 100 percent of his income for 3 years in succession, and it seems to me obvious whether he had to pay all of it or not, the rate is already so high that any duplication of a back year's tax is going to be paid out of capital. You pointed out the effect of this is to increase the estate, so he can afford to pay it out of capital. It seems to me the additional revenue is not additional income, it is really a capital levy and decreases the amount of capital available to finance the war.

Mr. PAUL. I differ with you. It seems to me the source of tax payment, whether it is out of income or capital, is irrelevant. A man who has only to pay 10 percent of his income in taxes, at the time he comes to pay the tax may have nothing but capital left. He may have to sell some securities, but that does not make it a capital levy.

Senator TAFT. I think it is inherent in your whole theory of presentation. You say it increases his property \$800,000 and therefore he can afford to take that money and pay it to the Government but he can only pay it out of capital.

Mr. PAUL. You are thinking always, it seems to me, in your questions there, in terms of the source of his payment, whereas the question seems to me to be whether he has to pay more than 100 percent tax on a year's income, which would make it a capital levy.

Senator TAFT. Not only that, he is necessarily assuming an obligation. Incomes are already cut to a point where everybody in every walk of life is squeezed down, he can just live on what is left. Now, then, if he is going to have to pay 2 years' taxes in 1, he is going to pay it out of capital. I do not think in that case you can claim that this is an increased income tax that we are collecting under the Ways and Means Committee bill.

Mr. PAUL. It is not a tax on capital. It may be a tax that particular taxpayers have to pay out of capital funds, but that is an entirely different matter.

Senator TAFT. I am satisfied with your definition of it. That is what I was trying to show.

Mr. PAUL. I also think a great many of these taxpayers will not be so hard hit in that respect, because the habit of most big taxpayers, as I have discovered it in a good many years of practice, is to accrue a reserve for taxes.

Senator TAFT. They will have to use the reserve to pay the current year's taxes.

Mr. PAUL. They have their present income out of which to pay the present year's taxes.

The CHAIRMAN. What Senator Taft means to say is that you cannot, out of current earnings, live right up to the Ways and Means Committee bill and pay your current taxes.

Senator TAFT. I am disputing the fact that, in substance, there is any real increase derived from the Ways and Means Committee bill.

The CHAIRMAN. As I get Mr. Paul's argument on that point, the whole difference is that some people make more money than others, and of course they get, therefore, greater savings.

Mr. PAUL. I would like to clear up that point, Senator George, if there is any misunderstanding about it.

The CHAIRMAN. Your whole statement seems to me to come down to that when you show the benefits to be derived. The inequality of the savings to the taxpayers depends entirely on what taxpayer you are talking about, and it depends entirely, therefore, on whether he has made more or is capable of making more.

Mr. PAUL. Certainly, the more income a man has made the more tax he has and the greater benefit he has.

The CHAIRMAN. That is the only trouble with it. If they all made the same income, of course you would not have any inequality under either one of these bills.

Mr. PAUL. That is right.

The CHAIRMAN. You would treat them all alike. The inequality comes because you have got an inequality in earning capacity, and we always have had it and probably always will, until we are reduced to one level.

I think we might come back, Mr. Paul, at 3 o'clock.

Is it convenient for you to come back at 3 o'clock this afternoon?

Mr. PAUL. Entirely.

The CHAIRMAN. I would like very much for you to go into this supplementary statement.

Mr. PAUL. I want to do it, because I think a great many people in the country would be glad to know that some improvements have been worked out.

The CHAIRMAN. Based upon objections already brought in, and the suggestions and recommendations made, we may relieve the committee of quite some work, because some of them may not wish to be heard.

Mr. PAUL. I hope so, and I am quite confident that these additional suggestions we have will very considerably improve the withholding provisions of the bill.

I would like to call your attention finally, just before you adjourn, to the fact I have not discussed in my statement a previous Ways and Means Committee bill, the first bill which was reported out and referred back to the committee. If I were making any comparisons as to what we would do with and without forgiveness, and so on, I would want to include that bill. I do not think those points are very material in what we have before us. We have before us the House bill. I think it is very clear that we ought to change from the present tax system. I do not like to make comparisons that are more or less academic.

Senator VANDENBERG. If you are going to expand the number of bills you better lengthen that May 15 date.

Mr. PAUL. I was explaining that I had not brought in that bill.

The CHAIRMAN. I think we have before us the real question of whether we are going to make any change in the present method, and if so, how much we are going to pay for it, all or part, and what part.

Mr. PAUL. That is right.

The CHAIRMAN. That is the exact issue.

Senator VANDENBERG. I do not think I got clearly the answer to Senator Johnson's question.

Mr. PAUL. Senator Johnson was ranking the various bills.

Senator VANDENBERG. He was asking you whether you would rather leave the law as it is or take the Ruml-Carlson plan.

Mr. PAUL. I would prefer not to answer that question without giving some further thought to it, because I haven't ever had that issue presented to me. One would have to go into the whole equation if you want to get into those refinements, the former committee bill as well as all the other alternatives.

The CHAIRMAN. The committee will recess until 3.

(Whereupon, at 12 m., the committee recessed to 3 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 3 o'clock, pursuant to recess).

The CHAIRMAN. The committee will come to order, please.

Mr. Paul, suppose you give us this supplementary statement or make such explanation regarding it as you may wish.

STATEMENT OF RANDOLPH E. PAUL (RESUMED) ACCOMPANIED BY MESSRS. SURREY AND O'DONNELL OF THE TREASURY DEPARTMENT

Mr. PAUL. Well, the first point in the supplementary statement has to do with a formula for remitting 1942 tax liabilities under the House bill, a deficiency in the bill from the standpoint of administration as the bill was passed by the House.

The rest of the memorandum has to do with the withholding and collection at the source technical provisions.

Going to the first point, the effect of section 5 (b) of the House bill is to require an exact computation of the amount of 1942 tax which is to be canceled. In order to facilitate the determination of this amount, it is recommended that it be computed in accordance with a schedule designed to achieve a close approximation at all tax levels of the result which would be reached under the precise computation method. This schedule is contained in exhibit A.

Senator VANDENBERG. You don't need that if we take the Ruml-Carlson plan?

Mr. PAUL. Yes; but I had to prepare this on the assumption that I didn't know how the committee would act.

Senator VANDENBERG. Well, I am just letting you in on a secret. [Laughter.]

Mr. PAUL. However, we will continue——

The CHAIRMAN. Proceed on the theory that you——

Senator BARKLEY (interposing). Still don't know. [Laughter.]

Mr. PAUL. I usually proceed on that theory, Senator Barkley.

This schedule is in exhibit A and you will notice that it provides a ready way of determining, from the amount of the 1942 tax, what amount the tax under the House bill will be. That obviates the necessity of looking at every return and getting out the actual returns and making a recomputation. It is the application of the formula method to the amount of tax shown on the collector's records.

For instance, if the 1942 tax is more than zero but not more than \$350, there will be no tax. From \$350 to \$800 it will be 14 percent of the amount of the tax over \$350, and so on up that schedule. It is just a matter of administrative convenience.

The CHAIRMAN. If you were to take a flat percentage of the tax, of everybody's tax, reduce everybody's tax by a percentage, this formula wouldn't be necessary then, would it?

Mr. PAUL. That is right.

The CHAIRMAN. That is what we did in 1924; that is my recollection.

Mr. PAUL. We were talking about that this morning. I wasn't sure whether it was 1924 or 1925.

The CHAIRMAN. I think it was 1924. The first year I came on this committee I think we reduced all individual income taxes by a flat 25 percent and made it retroactive to 1923; I think we applied it to the year 1923.

Mr. PAUL. I think you are right, that refreshes my recollection. I know it was a flat 25 percent but I am not sure of the year and I think it was done in 1924 with respect to 1923 income.

Senator VANDENBERG. That is really what I was seriously trying to get at when I asked my other question. Do we disregard this particular point you are making except as we take the House bill?

Mr. PAUL. That is right. It is only half a page more, Senator. It is really only for the collectors, not for the tax payers, it is a matter of enabling them to determine how much the reduced tax is.

Senator VANDENBERG. And applies only to the House bill?

Mr. PAUL. That is right. It would apply to the Ways and Means bill but I think that was a different formula and I think it is in the bill.

The CHAIRMAN. Yes; I guess that is correct.

Mr. PAUL. By using this schedule, collectors of internal revenue will be able to compute the forgiven amounts directly from the tax liability entered on the 1942 assessment lists. It will not be necessary for them to reexamine the income tax return of each 1942 taxpayer. This will not only greatly ease the burden on the collectors, but will permit the taxpayers to be notified of the amounts to be abated. In the event that this or some similar method of computing the canceled tax is not adopted, it will be physically impossible to complete in time a recomputation based on each taxpayer's 1942 return.

Now we come to the part of this statement referring to the new techniques of collection at the source.

Senator VANDENBERG. This applies under any plan?

Mr. PAUL. Yes; because all the plans were similar in that regard.

I may as well say right here that it may be that if you go into executive session we would have one or two further simplifications to suggest. For instance we are having a conference tomorrow morning early with some people, and it may be—a telegram has been sent to us and if we understand it correctly it may be that there is something in that point. So I don't want the committee to think that this is an all-inclusive list, necessarily.

The CHAIRMAN. We understand that it is not exhaustive of your recommendations, but these are certain conclusions that you have reached?

Mr. PAUL. Yes; we have reached these conclusions since the House bill was drafted.

As I say here, we have been continuously analyzing the provisions and requirements which would be common to any system of current collection of individual income tax. Because of the need for further study, certain matters which we have been analyzing could not be presented to the House for its consideration. I believe that some of these are of sufficient importance to justify their presentation to you at the present time. These suggestions would be applicable to the provisions of all of the three major bills considered by the House.

First. In order to simplify the work of employers in computing the amounts to be withheld and to adapt the method of computation more closely to their accounting and pay-roll systems, it is recommended that the method for computing the tax to be withheld be modified in two respects.

The first suggestion is that the present withholding exemption of \$552 for single persons be changed to \$624; the present withholding exemption of \$1,320 for married persons be changed to \$1,248; and the present withholding exemption for dependents be changed from \$408 to \$312. Withholding would then be applied at the single rate of 20 percent on all amounts paid in excess of these exemptions, but in no case would the tax to be withheld be less than 3 percent of the amount paid in excess of \$624. It should be noted that these changes in the amounts of the exemptions would be applicable only for withholding purposes, and not for the purpose of computing the final tax liability of the individual taxpayer.

The second suggestion, which is contingent upon the first, is that 5 comprehensive withholding tables be substituted for the 25 tables now contained in the bill.

The first of these two suggested changes is embodied in exhibit B. Exhibit B shows the effect of the new exemptions, the proposed revised withholding exemptions, in terms of weekly, biweekly, and monthly amounts of pay. They are not very different from the previous exemptions but they make it, mathematically, very much easier to work out a single rather than a double withholding arrangement.

The CHAIRMAN. I think that that is a very fine conclusion, a good conclusion, you have reached there, because you really are applying the same principle that we did in the Victory tax and we thought of graduating that at one time.

Mr. PAUL. That is true. You will notice each amount there—it is \$624, which is half of \$1,248—

The CHAIRMAN (interposing). And twice the \$312.

Mr. PAUL. That is right.

If the first recommendation is adopted, the amounts withheld in all cases will be almost the same as under the House bill and will of course be credited against tax liability in the same manner. By replacing the dual exemptions and rates of the House bill with a single rate and exemption for each employee, the proposal would greatly simplify the computations made by employers not using the wage bracket tables and would permit the reduction in the number of those tables from 25 to 5. For employers computing taxes with the aid of machines, the proposed schedule of withholding exemptions and rates

is particularly advantageous since it reduces the number of variables which must be taken into account.

The advantages of this change may be illustrated in this manner: Under the House bill an employer who does not find it advantageous to use the table method must first subtract from the amount of the wage the exemption applicable to the Victory tax and compute 3 percent on the remainder. He must then subtract from the wage the exemption applicable to the income tax and compute 17 percent on that remainder. These two amounts must then be added in order to arrive at the amount of tax to be withheld. Under the suggested change the employer would subtract one amount of withholding exemption from the wage and compute 20 percent on the remainder. This single amount would represent the tax to be withheld. Thus, only one subtraction and the application of a single flat percentage rate would be required rather than two subtractions, the application of two separate percentage rates, and the subsequent addition of the amounts thus obtained, all of which is required under the House bill.

The provision that the tax to be withheld shall in no event be less than 3 percent of the amount in excess of the \$624 Victory-tax exemption, is necessary in order to insure withholding for Victory-tax purposes in the case of married persons with incomes between \$624 and the applicable exemption under the 20-percent withholding, which ranges upward from \$1,248 depending upon the number of dependents. The specific wage levels at which only the 3-percent rate is applicable are readily ascertainable, and the regulations can furnish a list of those levels so that employers will not need to make computations in order to determine whether the 3-percent or full 20-percent rate is applicable. For example, a married person with one dependent who claims all of the personal exemption for withholding and who receives less than \$33.18 a week, will be subject only to a withholding tax of 3 percent on the amount received in excess of the \$624 Victory-tax exemption. For all such persons receiving a weekly wage of \$33.18 or over, the rate of withholding will be 20 percent on the amount in excess of the applicable exemption.

The second suggested change would consolidate into one withholding table the five wage bracket tables which the House bill provides for each payroll period. An illustrative table appears in exhibit C. By alining the exemptions in accordance with the first recommendation, the proper amount of tax to be withheld in each wage bracket for each employee could be shown on one table regardless of his marital and dependency status. Redesigning the tables as suggested will substantially simplify the employer's task and the amounts withheld will very closely approximate the amounts which would be withheld under the more numerous tables of the House bill.

Second. The bill is so drawn that estates, trusts, and certain non-resident alien individuals are not included within the system of current payment of the estimated basic tax. Upon analysis of certain technical problems which we felt should be explored in connection with the application of that system to these groups of taxpayers, we have concluded that the current payment system could readily be made applicable to them.

Third. An appreciable number of refunds will result from the requirements of withholding and of payment of estimated basic tax. It is essential that these refunds be made as expeditiously as possible.

Our study has shown that the adoption of two provisions would considerably assist the Commissioner in making prompt refunds. The first is a provision which would allow interest on refunds resulting from overwithholding or from overestimating the basic tax, even though the taxpayer had no tax liability for the taxable year. Under the present state of the law the allowance of interest in such case is involved in some uncertainty, and refunds would be expedited if such a definite rule were adopted. The second provision would allow the Commissioner, under regulations approved by the Secretary, to delegate to the collectors authority to make refunds up to a designated amount, say \$500. This would eliminate certain steps in the refund process, such as the transmittal of the necessary refund documents from the collectors' offices to Washington, and then back to the collectors' offices.

Fourth. Withholding at source involves a very considerable amount of tax moneys. Under the present procedure, employers would remit these moneys to the collectors on a quarterly basis. Many employers have requested that a method be devised by which they could pay over these moneys more often than quarterly. The employers point out that the moneys are not their own funds and that they should be relieved of the responsibility of holding them for a period of 4 months. In addition, it would obviously be to the advantage of the Government to secure these funds more currently than quarterly. A study is now being made of the methods by which a more current remittance of these moneys could be accomplished. The development of any plan accomplishing this objective will necessitate consideration of the accounting problems involved in the Bureau of Internal Revenue and other parts of the Treasury, together with the practical problems involved in arranging for the current deposit of these funds with designated depositories. As the details will probably not be fully worked out in time, it would be desirable to insert in this bill a provision, similar to that contained in the social security tax, requiring payment of the withheld taxes in such manner as the Commissioner, with the approval of the Secretary, may prescribe. The exact method could then be prescribed by regulations after thorough discussion with the employers and all others concerned, so that a mutually satisfactory arrangement may be arrived at without any difficulty.

Fifth. Changes in several of the minor details of the withholding procedure appear desirable to facilitate the work of the employers. In brief these changes are as follows: The Commissioner should be authorized in meritorious cases to extend the time for the filing of withholding returns by the employer. A like authority should be given to the Commissioner to extend the time by which the employer must furnish year-end receipts showing the amount of wages paid and the amount of tax withheld on those wages. Also, a limitation should be placed upon the number of times during each year that the employer would have to give effect to a change in the status of any one employee for the purpose of determining his withholding exemption. It is believed that this could be accomplished by requiring that a change in status during any one quarter need be given effect only at the commencement of the next quarter (beginning 30 days after the notification of the change) rather than at the expiration of a 30-day period as under the present bill.

The CHAIRMAN. On the face of it I would like to say, Mr. Paul, that every one of those recommendations seems to me to be greatly in the interests of simplicity, and since you are withholding approximately the amount that would be held under a nice and definite calculation, there can be no real hardship on the taxpayer, and then it isn't an absolute tax, it is only a method of collecting, and you can make your final adjustment anyway.

Mr. PAUL. I think that is true, Senator George. Mr. Surrey, would you like to say just a word about that one change which we discussed this noon.

The CHAIRMAN (interposing). I would like to ask you this question. You are sure that estates and trusts and certain nonresident alien individuals and so forth can be subjected to the basic withholding tax?

Mr. PAUL. Yes. Do you want to elaborate on that, Mr. Surrey?

Mr. SURREY. That is with respect to the current payment system, not the withholding system. Estates, trusts, and nonresident aliens are of course all subject to the individual income tax, and we felt, if the individual income tax is placed on a current basis—

Senator DANAHER (interposing). Will I disrupt your thoughts, sir, if I interrupt you?

Mr. PAUL. Not at all.

Senator DANAHER. On page 2 you make a statement which I wish you would clarify for me. In the middle of the page appears this sentence:

It should be noted that these changes in the amounts of the exemptions would be applicable only for withholding purposes, and not for the purpose of computing the final tax liability of the individual taxpayer.

Mr. PAUL. Under the withholding systems embodied in all three bills considered by the House, there is a final adjustment of tax liability on the March following the current year. For purposes of that final adjustment we contemplated here no change in the personal exemption and credit for dependents now established by the law, \$500 for a single person, \$1,200 for a married couple without dependents, and \$350 for each dependent.

But in working out the withholding procedure and determining how much would be withheld each week or each month or each payroll period from the pay of the particular employee, these other figures, for purposes of exemption, are more convenient mathematically, and so by that sentence I mean to say that we are not suggesting any change in tax liability when we make a suggested change of those tentative exemptions for withholding purposes, but merely a change in the tentative withholding collection, which is all adjusted at the end of the year.

Senator DANAHER. So that really it is a change in the basis of computation only?

Mr. PAUL. The computation of the amount withheld.

Senator DANAHER. Yes.

Mr. PAUL. But not the computation of the final tax for the year.

Senator DANAHER. Thank you.

The CHAIRMAN. Does Mr. Surrey wish to make any statement?

Mr. PAUL. Suppose you give that, Mr. Surrey?

Mr. SURREY. (tax legislative counsel, Treasury Department). We are considering a suggestion that has been made by some of the employers that would permit them to withhold amounts under a schedule which they would work out, which would not in any instance

produce a result that would vary more than 10 percent from the amount that would be obtained if the percentage method in the bill were used.

There are two methods in the bill. One is the percentage method where you apply 20 percent to the employee's wage above the particular deduction. The other method is to use a table. Now the table varies from the precise method in some cases by slightly over 10 percent, and it may be that the employers could devise other tables which would suit their machine equipment or their business a little better than the tables in the bill and yet wouldn't produce variations any greater than the tables in the bill.

So we are considering whether it would be feasible to recommend to you that employers be permitted to use any system of tables provided that their tables did not depart more than 10 percent from the amount that would be obtained under precise percentage calculation.

We feel that we may be able to give you a definite statement on that tomorrow after we confer with some employers of very large numbers of employees who are interested in such a system, and after we are able to go over it with them more thoroughly. I believe we can make a recommendation to you tomorrow that would further simplify the withholding procedure for a number of employers.

The CHAIRMAN. The tables to be used by the employers would, of course, be subject to the approval of the Commissioner?

Mr. SURREY. That would be correct, sir. You can't authorize an employer to use any table he cares to, and we would have to work out some particular standard, and we would like a little more time on that.

The CHAIRMAN. Thank you very much. Are there any questions?

Senator BARKLEY. Mr. Chairman, I would like to ask Mr. Paul a question regarding a phase of this whole pay-as-you-go plan that has bothered me from the start.

I have always been able to understand how you could make it apply to a salaried man or to a wage earner because his pay is based and comes at regular intervals; but with reference to the professional man, the lawyer, the doctor, the dentist or the corner groceryman, or any other individual businessman who doesn't draw his pay by the month, who receives his gross income as his clients or his customers pay him, I don't understand that so well.

Now all these bills, as I understand, undertake to reach that situation by requiring an advance estimate of the income of each individual who is not on a salary?

Mr. PAUL. That is right.

Senator BARKLEY. Suppose none of his income is salary, it is all more or less indefinite by reason of the character of his business.

Mr. PAUL. Yes.

Senator BARKLEY. You require all of those people in advance, or by the 15th of March, to make up an estimate of their income?

Mr. PAUL. That is right.

Senator BARKLEY. They can base it upon whatever they see fit, I suppose, preliminarily, or base it upon last year's income?

Mr. PAUL. That is true.

Senator BARKLEY. So long as that estimate is unchanged, he continues them during that year to pay taxes on that estimate?

Mr. PAUL. He pays taxes on that estimate. Under the House bill he pays the basic tax on that estimate.

Senator BARKLEY. But anyway that is the method by which you reach the professional, nonsalaried businessman or other man who has an income?

Mr. PAUL. That is right. One point of that method is that it avoids discrimination between the salaried man and the man not receiving a salary.

Senator BARKLEY. Yes; that is the thing that was quite annoying to me when this pay-as-you-go plan was first suggested here.

Now if he sees fit, by reason of change up or down of his income, he can revise his estimate in June or in September or even as late as December?

Mr. PAUL. That is right. He has perfect freedom within the limits of the penalty provisions which are aimed at approximations more than 20 percent incorrect, in the case of others than farmers.

Senator BARKLEY. Now do these methods provide that notwithstanding any changes that may be made in that estimate in December or September or June, that at the end of the year there can still be an adjustment so as to arrive at the man's actual income for the year, upon which he would pay the tax?

Mr. PAUL. Well, his last estimate for the year would be December 15.

Senator BARKLEY. Yes.

Mr. PAUL. And if by that time he has been unable to estimate correctly, he only has 2 weeks left of work.

Senator BARKLEY. In other words, practically speaking that last estimate in December would be binding upon him so far as the amount of tax for the year was concerned?

Mr. PAUL. With respect to the penalty provisions it would be binding, yes, but if his estimate was too high, for instance, it would be corrected the following March.

Senator BARKLEY. That is what I was going to say; that notwithstanding that he makes his final estimate in the middle of December, which is practically the end of the year, if it turns out before the 15th of March that his estimate is too high, or even too low, there still can be an adjustment whichever way it goes.

Mr. PAUL. Oh yes; if the estimate is too high, then he has paid too much tax and the final adjustment will be by way of a refund in March. On the other hand, if he is too low, and not more than 20 percent too low, he will just pay up the balance the following March. If he should be more than 20 percent too low, the penalty provisions apply.

Senator BARKLEY. He would be penalized for getting it more than 20 percent wrong?

Mr. PAUL. That is right.

The CHAIRMAN. Unless he is a farmer, and then he gets a 33½ percent allowance for error.

Mr. PAUL. Yes; and we put that in because of the great difficulty of estimating farm income.

Senator BARKLEY. That seems to me to be a very ingenious way of reaching a large number of people who couldn't be reached as salaried people or wage earners, and yet it seemed to me to be a discrimination that required a man whose salary is known month by month to pay his taxes currently, and leave millions of people who are in the professions and in business without any way to apply it to them?

Mr. PAUL. There are 10,000,000 people in that category and there would be an element of discrimination there. Not only that, but also I think our collection system, from the Government standpoint, is definitely improved by having it applicable to all these people that don't receive salaries or wages.

Senator BARKLEY. It seems to me that that is the only way to reach it, although it may be imperfect.

Mr. PAUL. It has a good many similarities particularly as to farmers, to the Canadian system.

Senator RADCLIFFE. Suppose between December 31 and January 31 he makes a very substantial addition to his income knowledge of which he might not reasonably be expected to have?

Mr. PAUL. Do you mean between December 15 and December 31?

Senator RADCLIFFE. Yes.

Mr. PAUL. Well, if he had an oil well come in on December 16 on a farm, that might be a case where he would be pretty far wrong and these penalty provisions would have to be administered in such a way that there would be no unreasonable penalties where a man actually had no way of knowing what was going to happen in those last 2 weeks of the year.

Senator RADCLIFFE. There would be considerable discretionary power, then, is that right?

Mr. PAUL. I don't think appreciably more than now. Penalties are constantly being remitted now in meritorious cases. Those cases would be rather rare cases.

Senator BARKLEY. It would involve almost completely, wouldn't it, wholly unexpected increases in income?

Mr. PAUL. That is right.

Senator BARKLEY. That might take place within the last couple of weeks, that couldn't be anticipated?

Mr. PAUL. That is right.

The CHAIRMAN. Are there any additional questions, gentlemen? Mr. Paul, is there any further statement you wish to make this afternoon?

Senator BUTLER. This may be all written out here in perfectly plain English, but I haven't seen it. Take one whose business is seasonal and all of whose income for the year may perhaps come at a certain period of the year, say at the end of the calendar year, is there any provision made for that individual paying his tax at that time, rather than quarterly?

Mr. PAUL. Well, the man who has a seasonal income would be able to protect himself under the quarterly system arrangement, because, for instance, if his season for getting income were in the middle of the summer, he would scale his payments to that, and if he was too high in the early part he could cut it down later, or he could cut down in December. He might report nothing in June. It is entirely flexible in that he would get his income in, say in the summer, and adjust his return in the September estimate.

Senator BUTLER. Take a farmer who was in the feeding game and he might merchandise his products in December for the whole year. Would he estimate and pay portion of it in the preceding quarters, or all of it in the final quarters?

Mr. PAUL. Would he be a farmer? I am not able to tell you technically whether your description would be of a farmer, but I think it

would. In that event he would go through, estimating probably nothing until December, and then he would bring in on December 15 an estimate based on his actual experience previous to that date, plus his contemplated profits for the rest of the month of December.

Senator BUTLER. Then it doesn't need to be paid in quarterly installments throughout the year?

Mr. PAUL. No; if you estimate in March you continue to pay one-fourth except as you may revise your estimates.

Senator LA FOLLETTE. A farmer can also be in error up to 33½ percent of his estimate, without penalty?

Mr. PAUL. That is right.

Senator Taft: Do you think the 20 percent deduction will kill the pay-roll bond plan?

Mr. PAUL. I certainly hope not, and I don't think it will. In that connection you have to remember that the 20 percent is on net, after exemptions and deductions. It is not comparable to the 10 percent of pay roll which is 10 percent on gross before exemptions.

Senator TAFT. Well, by the time you get up to \$2,500 it amounts to 13 or 14 percent, doesn't it?

Mr. PAUL. I don't think so, but I will get that figure for you. Offhand I hadn't realized that there was as high a percentage at that figure, but you may be right, I will have to check it.

Senator TAFT. I have understood that there was quite a substantial interference with the pay-roll plan, even with the 5 percent deduction for Victory tax.

Mr. PAUL. I don't want to try to testify in detail about the pay-roll plan, but I do know that the pay-roll plan has been going up in sales constantly and is very much higher now in its monthly take than it was before the 5 percent tax went into effect.

Senator TAFT. Of course, the total amount of wages has been increasing steadily.

Mr. PAUL. I don't think that would account for it, I think the pay-roll plan has increased very substantially; I could get you those figures.

Senator TAFT. If you take this 20 percent out, how much more is taken out by Social Security?

Mr. PAUL. Well, it is 1 percent, from the employee.

The CHAIRMAN. Mr. Paul, would you mind explaining to the committee at this time, if you are prepared to do so, the provisions for preferential treatment or the special treatment given to the soldiers and men in the armed forces? It is a matter which, on its face, looks as if we would have to give some consideration to it.

Mr. PAUL. Mr. Surrey has been working particularly on that and I think I will ask him to give the committee an explanation of that if there is no objection.

The CHAIRMAN. The more we can get behind us, the easier it will be.

Mr. SURREY (Tax Legislative Counsel, Treasury Department). The present law contains a special provision regarding members of the armed forces, providing an exclusion from gross income with respect to \$250 of their compensation as members of the armed forces, if single, and \$300, if married. That provision was inserted in the law last year and was intended to, in effect, prevent the reduction of the personal exemptions from applying to members of the armed forces.

The \$250 and the \$300 brought the total exclusions that a person had, counting exemptions and this special exclusion, to the old personal exemptions.

The House bill contains an increased exclusion for members of the armed forces under which the total amount of nontaxable compensation would be the excess of \$3,500 over the amount of the personal exemption. In other words, a single person, with a personal exemption of \$500, has an exclusion from gross income of \$3,000, so that \$3,500 of his compensation would in effect be exempt from taxes—\$500 through the personal exemption and \$3,000 through this exclusion.

A married person would have a personal exemption of \$1,200 and an exclusion of \$2,300, so as to produce a total of \$3,500 exempt from income tax, made up of \$2,300 base compensation for services in the armed forces plus \$1,200 of income from any source.

The result is that no soldier receiving up to \$3,500 of base pay would be subject to income tax, and that reaches to about the rank of major, I think, on base pay. Allowances for quarters are not subject to tax.

You can see that the way the provision is in the House bill there is in a sense a discrimination against married people in that the exclusion from gross income is higher in the case of single people than it is in the case of married people. The effect of this provision is to give an exclusion of \$3,000 for a single person and \$2,300 for a married person; or, stated another way, a married officer with \$4,000 of income would pay the same tax as a single officer with \$4,000 of income.

The application of the exclusion as between married and single people has a different slant than under present law, and the amount is considerably higher than under present law.

The second provision in the bill, which is new, deals with the abatement of income tax in the case of members of the armed forces who die after December 7, 1941, while in active service.

Senator LA FOLLETTE. Before you leave that, Mr. Surrey, what is the principle, or what is the objective, if any, for this apparent discrimination against persons who are married?

The CHAIRMAN. The net effect of it is to give each member of the armed forces a total exemption up to \$3,500 of his income from the Government.

Mr. PAUL. Service pay.

The CHAIRMAN. Yes; whether he is married or single.

Mr. SURREY. That is correct.

The CHAIRMAN. That is the net effect.

Mr. SURREY. Yes, using up his personal exemption and whatever additional exclusion you need to bring the person up to \$3,500.

Senator BARKLEY. Is that supposed to be in the bill based upon the service of the man in the armed services as such or based upon his comparative need for the exclusion?

Mr. SURREY. No, it is based upon his service as such. Anybody who gets \$3,500 compensation is exempt.

Senator BARKLEY. Then upon the basis that it is being given for the man's service, it really doesn't matter whether he is married or single?

Mr. SURREY. No.

The CHAIRMAN. That must have been the theory. Was there any consideration given, Mr. Surrey, to limiting that to services, or

making a differential for services rendered outside of continental United States and inside the country?

Mr. SURREY. Not in the committee. On the floor of the House Congressman Vinson proposed that the \$3,500 total exclusion would apply only in those cases where the person was outside the country, and because he was outside of the country he was entitled to higher rates of compensation arranged under the Army compensation scales. These scales differ as to whether persons are inside or outside the country. Congressman Vinson's proposal was that the \$3,500 would apply only to those people who were getting higher compensation due to the fact that they were outside of the country.

Senator CLARK. The whole theory of giving a single man the same exemption you give to a married man with children is contrary to the whole theory of exemption. A single man drawing a major's or lieutenant colonel's assignment is in very comfortable circumstances, whereas if he has two or three children at home he may be in very straitened circumstances, and there doesn't seem to me to be any sense to that.

Senator TAFT. Why couldn't you just forgive the normal and first surtax bracket, as you do in this other forgiveness, that is, add a \$2,000 bracket to the exemption and forgive it up to that?

Mr. PAUL. The question that Senator Clark introduced was as to the differentiation between a married and a single man in the armed forces—

Senator TAFT (interposing). Why not just forgive the first \$2,000 bracket?

Mr. SURREY. That would be in between this system and what is now in the law. The provision in the law gives an additional exclusion for married people, \$50 more than single persons.

Senator TAFT. Well, cut that out and put in the provision that you just exempt \$2,000 over the exemption. That will give married people \$3,200 or more.

Mr. SURREY. And single people \$2,500.

Senator WALSH. Was the Vinson amendment adopted?

Mr. SURREY. It was defeated on a standing vote in the House.

Senator BARKLEY. That was an amendment offered a month or so ago when they had the first heat on this bill; it wasn't brought in at all on this last heat.

Mr. SURREY. No amendment of that kind was considered this last time.

Senator WALSH. If you adopted such a system, would there be any differentiation between the person just outside of the country for a week or so, and one who was gone for years?

Mr. SURREY. I think if such a system were adopted perhaps we would have to say that it applied if he was outside the country at any time as a practical matter, to facilitate administration. I would like to consider that further.

The CHAIRMAN. I think they have gone to that in Canada.

Mr. SURREY. I believe the Canadian system is based upon such a distinction of service inside and outside Canada.

The second provision in the House bill, which is a completely new provision in the income tax, relieves, as I said, members of the armed forces who die in active service from income-tax liability due at the date of their death. The income-tax liability abated is the entire

income-tax liability—income-tax liability of the current year, with respect to compensation above the amount of exemptions and exclusions, and income-tax liability with respect to the past year, and in effect income-tax liability with respect to deficiencies for any years in the past. It also applies to income-tax liability on income not derived from the compensation received as a member of the armed forces and is thus a broad provision in its coverage.

Just to give you the background history of this, Congressman Vinson—I don't believe he offered it—was considering offering a provision which would restrict the abatement of tax to earned income and not permit the abatement with respect to unearned income or investment income.

Senator WALSH. But the bill makes no distinction.

Mr. SURREY. The bill makes no distinction between earned and unearned income.

Senator DANAHER. Suppose, Mr. Surrey, as will be the case with thousands of men in the armed services, a soldier has in fact paid his taxes for prior years, prior to his entry into the service, will he be entitled to a refund?

Mr. SURREY. No, he would not be, Senator.

Senator DANAHER. Don't you put a premium then on the fellow not paying any tax liability that he may incur?

Mr. SURREY. I think that is one of the difficulties of the provision. In that respect please understand that these provisions in all their aspects were not recommended by the Treasury, but were inserted by the Ways and Means Committee.

I think the point you mention is a discrimination. It would be possible to work out a provision which would in effect abate any tax liability that would fall due after the date of the man's entry into the service, and base that upon any tax liability that would fall due if the man were to pay in installments. If a man decided to pay up his tax completely in advance he would get the same abatement as would a man who had decided to pay in installments. If the latter went into the service after he had paid his first installment, the last three installments would be forgiven if he died; and likewise the man who paid up in full would get a refund equal to the last three installments.

Senator CLARK. The fellow who didn't pay at all and happened to get "bumped off" would get a break.

Mr. SURREY. Under the provision in the bill.

Senator CLARK. He would be better off than the man who paid his taxes and went into the Army and got "knocked off."

Mr. SURREY. That is right.

Senator CLARK. As far as his family is concerned he would have a distinct advantage over the man who suffered the same fate and had already paid his taxes. I don't see any sense to such a provision. It puts a premium on a man not paying his taxes at all.

Senator VANDENBERG. It puts a premium on a man getting "bumped off."

Senator BARKLEY. Suppose a man who was not in the armed services, in 1942 made \$5,000 in his business or his profession or whatever it was; then he goes in on January 1 and makes out his estimated income for the current year, which is \$50 a month, he goes in as a

private—I understand that there are still some going in as privates—he estimates his income at \$600. What effect will the fact that he made \$5,000 last year while he was not in the Army, have upon this exclusion for the year 1943 or any other year in which he is in the service but still has an income for the previous year when he was not, much greater than his compensation in the Army?

Mr. SURREY. It would work out differently with respect to the year you chose. On the present income-tax system, that is forgetting pay-as-you-go, people could go in the Army who had a high income for the year previous to which they went in the Army, and would, of course, have a liability with respect to that high income to pay. That liability can be deferred in cases of hardship.

Senator CLARK. But when it is deferred a fellow gets out of the Army and has to go looking for a job, and he is less able to pay it than anybody in the world. A man just discharged from the Army, who has a tax liability of 2 or 3 years old hanging over him, is in worse shape to pay it than any class that I can imagine in the United States.

Mr. SURREY. I was going on to say that under the provision I had recommended, or stated to Senator Danaher, that would be taken care of since that would be in effect an installment falling due after he went into the Army, and if he died that installment would be abated.

Senator CLARK. Suppose he doesn't die?

Mr. SURREY. That is a separate problem, separate and distinct from what we are dealing with. That applies not only to income taxes but to any debts, State taxes or any private debt, you have the same difficulty.

On your case, Senator Barkely, on a current basis of course he would have, under the House bill, only the higher surtax remaining as a carry-over from the previous year, and most of the people would be current and wouldn't have that problem, who went into the service after this bill was adopted.

Senator DANAHER. It looks to me like a House concession to the principle of forgiveness.

The CHAIRMAN. Are there any further questions of Mr. Surrey or Mr. Paul. Do you have anything further to add?

Mr. PAUL. Except for one point that I suggest Mr. Surrey make in response to a line of questions by Senator Barkley.

The CHAIRMAN. Very well.

Mr. SURREY. In your case, Senator Barkley, if the person were to die and had this \$5,000 liability not paid up, that would be abated.

Senator BARKLEY. I am not contemplating his death, I am talking about a man who is still alive, in the Army, and he goes along and serves at the compensation of a private, and then gets out alive.

Mr. SURREY. That, I say, is dealt with under the Soldiers and Sailors relief provisions which were adopted by the Congress. The Commissioner has adopted rather liberal rules in applying those relief provisions and as I say the Commissioner will defer the tax in cases of hardship and cases of hardship have generally been defined to include cases where there is no current income available to pay the existing liability. That is, the Commissioner does not require a person to go out and sell whatever assets he has to realize the money to pay his back tax. So the deferment provisions are fairly liberal.

Senator BARKLEY. Take the case which I cited where a man went into the Army before the 15th of the month when he is supposed to pay his first installment. Suppose he had then a tax liability of

five or six hundred dollars—it would depend on his exemptions and all that—but suppose he went into the Army between January 1 and March 15 with a tax liability of five or six hundred dollars hanging over him. He goes in and of course he makes out his estimate for that year. He hasn't got enough money coming to him out of his year's income at \$50 a month to pay the accumulated tax on last year's income.

Mr. SURREY. That is correct and I think in that case, if a person applied to the collector for relief, that tax would be deferred.

Senator BARKLEY. The bill itself does not provide for automatic relief in that case, he has got to make an application to the collector?

Mr. SURREY. That is under existing law passed, I think in 1940 or 1941, and has been, as I understand it, satisfactorily administered since it was instituted.

Senator CLARK. You say they don't require them to sell their assets. They make them list their assets and put in their old second-hand automobile and any little old assets they may have, which has the effect of scaring the life out of the fellow and making him dispose of anything he may happen to have that he can realize a little cash on. That is the actual practice, isn't it?

Mr. SURREY. They may require him to list his assets.

Senator CLARK. And that has the effect of scaring him to death, he doesn't want a restraint warrant on his poor little assets and he sells them for whatever he can get.

Mr. SURREY. From what the Commissioner tells me the contrary is true.

Senator MILLIKIN. Does the accrued liability carry interest?

Mr. SURREY. It does not carry interest.

The CHAIRMAN. No interest until 6 months after his discharge—that is my recollection of the provision. I think we wrote it in in 1941.

Senator THOMAS. How difficult would it be to make this plain in the law so there wouldn't be any option with the collector as to whether he would insist on its collection or not? How difficult would it be to correct that?

Mr. SURREY. It is a difficult problem for this reason, Senator. Some people are going into the Army with large amounts of unearned income or investment income. They have rents, royalties, dividends, or interest which are readily available to pay their tax on the preceding year's income. In those cases the Congress felt that no relief should be granted. This is not a provision in this bill, it is a provision that has been in the law since soon after selective service was adopted, and the provision is somewhat the same as the treatment given for private debts, mortgage debts, insurance debts, and so forth.

In the case of private debts, discretion is generally left up to a court. In case of tax debts it has been left to the collectors of internal revenue, and in some cases to the courts.

Senator THOMAS. Don't you think it would be more satisfactory if the law was explicit as to what the officials should do?

Mr. SURREY. The law is explicit in the sense—

Senator THOMAS (interposing). Yes, in the sense that you are dependent upon the mercy of the other fellow.

Mr. SURREY. No; it gives a reasonable discretion to the collector, and it says that if a soldier's ability to pay the tax has been materially impaired by reason of his military service, the tax shall be deferred.

Senator THOMAS. That is exactly the point I am making.

Mr. SURREY. Either you must defer no payments or every payment, if you want an absolute rule, and the Congress apparently felt that either rule was unsatisfactory. To defer every payment would simply mean, in the case of some people, to grant them completely unnecessary deferment.

Now the collectors have felt that the provision should be administered liberally, and as I said have only refused deferment when there was available current income from rents, royalties, dividends or interest which could be used to pay the tax. Now, if that current income was in effect needed for other purposes, such as the maintenance of a business which required more funds, I believe the collector would grant the deferment of tax.

Senator LA FOLLETTE. And again there should be some consideration, Mr. Surrey, for men who go overseas. It would seem to me that the difficulty of men having access to their books and records and papers—

The CHAIRMAN (interposing). There is a special provision for the overseas service men, they are not required to make returns or pay taxes until they return to this country.

Senator LA FOLLETTE. They are concerned about it, to my certain knowledge.

The CHAIRMAN. They may be concerned.

Senator LA FOLLETTE. And I know some at least who, because they feel that their liability is accruing, feel that they must make out their records and make out their returns, and if possible make their payments, and I have had this matter brought to my attention that some of them have had great difficulty in doing it because they are not in position to have access to all of their material and data and information.

Mr. PAUL. It is hard enough to make out a return when you are here. I shouldn't think that it would be possible in the case of a man overseas.

Senator LA FOLLETTE. Some of them have been doing it to my certain knowledge, with great difficulty, because they are apprehensive that this liability will simply be piling up on them and staring them in the face 90 days, I think it is, after their discharge from the service.

Mr. PAUL. I have no doubt some of these provisions can be improved. We have just been trying to describe the provisions of the House bill to the committee.

Senator LA FOLLETTE. I understand and I am not criticizing you.

Mr. SURREY. There is just one further point I would like to make. That is, that the \$3,500 exclusion given to soldiers and sailors was made retroactive in the House bill to the year 1942. The Commissioner has indicated to us that that would involve a refund of taxes already paid, and would involve some administrative difficulties, and wanted that presented to you for your consideration.

Senator BYRD. That only applies to payments received from the Government?

Mr. SURREY. Yes; earned income from the Government.

Senator WALSH. Are the same standards applicable on earned income as on unearned income, with respect to a person in the armed forces?

Mr. SURREY. The Treasury didn't make any recommendation with respect to that provision.

Senator WALSH. Don't you think that that is pretty important? To my knowledge there are a large number of wealthy persons in the armed forces here in Washington that would be exempt.

Mr. SURREY. It is probably an unnecessary provision if you view it from the aspect of hardship, in that the money is available to pay the taxes.

Senator DANAHER. Just one other question, please. Do the mechanics of withholding, as these sections outline the mechanics, substantially follow supplement U of the 1942 House bill?

Mr. PAUL. You mean the mechanics in this supplemental memorandum?

Senator DANAHER. In this version here of the bill, the provisions dealing with withholding—do they substantially follow supplement U of the 1942 House bill?

Mr. PAUL. They do except for these new suggestions that I have made in this supplemental memorandum; yes.

Senator WALSH. Do I understand that the Treasury is to make a recommendation for a change in the House bill in this respect?

Mr. PAUL. If the committee wishes—we haven't made any so far.

The CHAIRMAN. I made the inquiry so we might be advised as to what it did provide.

Senator BARKLEY. In view of the fact that it seems obvious that some change must be made in the House bill, wouldn't it be advisable to have the Treasury make suggestions concerning that?

Mr. PAUL. It might be possible to make a joint suggestion from the staff—

Senator TAFT (interposing). May I ask a question?

The CHAIRMAN. And maybe you would be prepared to make such suggestions tomorrow.

Senator TAFT. Could you explain the Ruml-Carlson bill provisions a little more in detail than in your statement? What is this provision about the \$5,000?

Mr. PAUL. Well, that provision just came in a couple of days ago.

Senator TAFT. What is it about this windfall; how does the windfall provision work?

Mr. PAUL. I would rather have Mr. Morgan explain that. I will say this, as a basis for it, there is a certain discussion in the earlier debate of the situation with respect to people making very large incomes in the forgiven year, and also there was a good deal of discussion with respect to war-contract brokers and various types of unusually large income of that sort. As a result the Carlson-Ruml bill which was recently voted on in the House, had a good deal stricter windfall provisions than did the earlier versions on the first debate, and those provisions just came in the last day or so. Mr. Morgan drew them, so I think he would be in a better position to explain them than I would.

Senator TAFT. It is all right with me.

Mr. MORGAN. I might say that I explained them in the minority report and my explanation caused great glee on the floor of the House when the Chairman had the Clerk read them.

Senator VANDENBERG. Is that the kind of explanation you are about to give?

Mr. MORGAN. I hope not.

There are two so-called antiwindfall provisions in the Carlson bill. The first one deals with a situation where the 1942 tax is \$1,050 or over. That represents a tax on a surtax net income of about \$5,000. That first windfall provision provides that if the 1942 tax was \$1,050 or more, and also more than the 1943 tax, then, although you forgive the 1942 tax you add to the 1943 tax the difference between the two taxes. The effect of that is to make the taxpayer pay in 1943 a tax equal to the tax of the higher of the 2 years. That is the first antiwindfall provision.

Senator VANDENBERG. Speaking generally, that applies to \$5,000 and above, and not below?

Mr. MORGAN. That is right, it doesn't apply below at all.

The second antiwindfall provision has a base period concept in it. It is a kind of excess-profits-tax idea. It provides that if both the 1942 and 1943 surtax net income—that is the net income after the personal exemptions and credit for dependents—exceeds by more than \$5,000 the surtax net income for 1940, then in addition to the increased tax for 1943 which the taxpayer might have under the first windfall provision, you tax that excessive portion—that is the amount by which the 1942 or 1943 surtax net income, whichever is the lesser, exceeds \$5,000 plus the 1940 surtax net income—you tax that excess at the regular normal and surtax rates for 1942 as if that portion itself constituted all of the surtax net income, and also all of the net income after exemptions and credits.

Just to give you an example, if a taxpayer had a surtax net income for 1940 of \$100,000, and he had one for 1942 of \$1,200,000, and one for 1943 of \$1,000,000, the second antiwindfall provision operates because both his 1942 and 1943 income are substantially in excess of his 1940 income.

So what the Carlson bill does is to take the lesser of those 2 years, 1942 or 1943, and see how much that exceeds the 1940 income plus \$5,000. In that case the 1943 surtax net income is less. So you take the excess of that over the 1940 surtax net income plus \$5,000. The \$5,000 is designed to take care of ordinary fluctuations in income.

In this case you would have the excess of \$1,000,000 over \$105,000, or \$895,000 as the excessive portion. Now that \$895,000 is taxed at the regular normal and surtax rates and the tax on that added to the 1943 tax.

Senator TAFT. Could it be put in the reverse, roughly speaking, without being accurate, that if the 1940 income is less than the 1942 or 1943 income, then you are only forgiven the 1940 income and not the 1943 and 1942 income? Is that about what it comes to except as it is affected by changes in rates? That is the general purpose of it, isn't it? If 1942 and 1943 both represent a tremendous increase over 1940, presumably they are both windfalls and so you are only forgiven the 1940 tax? Isn't that the underlying theory?

Mr. MORGAN. I have not heard the underlying theory expressed that way. I have always heard it as being this—you don't want to have the abatement of a year's tax result in the abatement of taxes which should be paid on war profits.

Senator TAFT. That is what I mean, that is what I am trying to say.

Senator WALSH. It is an attempt to apply the excess profits principle to the increased income by reason of the war?

Mr. MORGAN. That is correct.

Senator WALSH. How would it work out in figures? Could you give us an illustration of the taxes in that case?

Senator BYRD. Carry out the illustration you just gave about the \$1,000,000 and the \$100,000—what would be the total tax you would have to pay in 1 year under that?

Mr. MORGAN. Well, before going into that example, Senator Byrd, the amount that is added to the 1943 tax by that second antiwindfall provision which I have just described, can be paid over a period of 3 years. The Carlson bill provided that.

Senator BYRD. Wouldn't the aggregate of it be more than your income in 1 year?

Mr. MORGAN. Now this example—if he had \$1,200,000 income in 1942—

Senator BYRD (interposing). What page is that on?

Mr. MORGAN. I am just looking at pages 8 and 9 of the minority report in the House. Let's take a case where he had a million-dollar income in both 1942 and 1943—I think that will be a little bit easier to figure.

He would be forgiven the tax on 1942. That would be about \$859,000. That is under the general provisions of the Carlson bill. Now you come to this second antiwindfall provision and you see how much the 1942 income exceeds the 1940 income, plus \$5,000. In this case the excess is \$895,000. Well, now, the normal and surtax rates on that \$895,000 will be approximately \$762,740. So, not counting the Victory tax, in 1943 he will have to pay \$859,000 on his \$1,000,000 income in 1943, plus \$762,740, which you might, just for purposes of convenience, call his windfall tax, or a total of \$1,621,740. Now that does not, as I say, include the Victory tax.

Senator BYRD. Then his income for that current year is \$1,000,000?

Mr. MORGAN. Yes.

Senator BYRD. So his taxes will be \$621,740 more than his gross income for that year?

Mr. MORGAN. That is correct.

Senator WALSH. But he has 3 years to pay it in.

Mr. MORGAN. The \$762,740 which is added by the second windfall provision he has 3 years to pay, but of course even with the extension it would push him over 100 percent of his income because one-third of that would be over \$250,000.

Senator WALSH. How much would he save if we didn't change the law at all and he had to pay 2 years' taxes?

Mr. MORGAN. Well, out of his 1942 and 1943 income he would have to pay \$1,719,000, plus the Victory tax, in 1943, and under this provision he would only have to pay \$1,621,740.

Senator BYRD. That is in the nature, really, of an excess-profits tax?

Mr. MORGAN. Yes.

Mr. PAUL. Senator Byrd, in order to get it clear, just so we don't develop any misunderstanding on account of the use of the term "individual excess-profits tax," last year we discussed another type of individual excess-profits tax which was a tax on increases in income. This is more properly an offset to a cancellation of tax, measured by the increase in income, and as I understand it, is designed to prevent undue cancellation in the case of a man who had an unusually high war income.

Senator BYRD. In other words, you take 1940 as a normal year?

Mr. PAUL. As Mr. Stam just said, that is a sort of base year, considered as more or less normal.

Senator BYRD. How much is your recovery by reason of this anti-windfall provision?

Mr. O'DONNELL [Assistant Director of Research and Statistics, Treasury Department]. We estimate that we will receive 676.9 million from the so-called excess profits tax provision, and 455.9 million from the windfall provision.

Senator BYRD. Then when the taxpayer receives his bill it will be quite a shock to those who believe they are going to be forgiven something if he has to pay \$621,000 more in 1 year than his total gross income actually is?

Mr. PAUL. That is true. Mr. O'Donnell's figures referred to the aggregate effect of the antiwindfall provisions.

The CHAIRMAN. What were those?

Mr. O'DONNELL. They total 1 billion 132.8 million, and they are made up by 676.9 million from excess profits tax provision and 455.9 million from the windfall provisions.

Senator WALSH. Both windfall provisions or the second windfall provision?

Mr. O'DONNELL. The one that Mr. Morgan has just been discussing that deals with the increase in income over that of the base year, the calendar year 1940 is called the excess profits tax provision and is estimated to yield 676.9 million.

Senator WALSH. That is more than the other windfall provision yields?

Mr. O'DONNELL. That is correct.

Mr. PAUL. Those two provisions yield 1 billion 132.8 million.

Mr. O'DONNELL. This yield is an offset to a gross difference of 9 billion 451 million that is being remitted under the Carlson plan after you have given the special exclusion to the members of the armed forces.

Mr. PAUL. That is what leaves the figure I gave in my statement of 8 billion 300 million of total forgiveness under the Ruml bill, with these antiwindfall provisions in it.

Senator BYRD. When it comes down to individual cases there will be many individuals under this that will pay more taxes in one year than their actual receipts are in that one year?

Mr. PAUL. That is right; it is possible to have such a case and it may happen very frequently.

The CHAIRMAN. Is it the pleasure of the committee for Mr. Morgan to explain any other feature of the bill?

Senator BYRD. Are there only two antiwindfall provisions, Mr. Morgan?

Mr. MORGAN. Yes, sir.

Senator BYRD. Explain the other one a little further.

Mr. MORGAN. There is one further provision that you might call an antiwindfall provision but what it really amounts to is a rounding out of the policy on the first one. As I described the first antiwindfall provision, it provided that if your 1942 tax was \$1,050 or more, and also more than your 1943 tax, you added to your 1943 tax the difference.

In the absence of a rule to meet the situation, if a millionaire died in 1942 he would get \$859,000 of forgiveness; whereas if he died on

January 1, 1943, he might get a very small amount of forgiveness. Hence there is another provision in the Carlson bill—I don't believe it was considered as part of the antiwindfall provision—that if the man died in 1942 his forgiveness was \$1,050 and no more.

Senator BARKLEY. What difference does it make as to whether he died before or after the 1st of January?

Mr. MORGAN. Well, let's have him dying on the 1st of January and assume his 1942 tax is \$859,000; further assume that his 1943 tax, if he made enough money on the day he died—is a dollar. Although you forgive the 1942 tax you add to the 1943 tax the excess of \$859,000 over \$1, in other words you add \$858,999 to his 1943 tax.

The CHAIRMAN. In effect that provision was intended to take the higher of the 2 years?

Mr. MORGAN. That is right.

The CHAIRMAN. So if there had been a discrepancy between his income tax liability in 1942 as against his income tax liability in 1943, you would take the higher of the 2 years and make him subject to that tax?

Mr. MORGAN. That is right.

The CHAIRMAN. That is what that was designed for; that was the underlying reason?

Mr. MORGAN. Yes.

Senator WALSH. His estate would have to pay that tax anyway, wouldn't they, under the present law?

Mr. MORGAN. The \$859,000?

Senator WALSH. Yes.

Mr. MORGAN. Oh, surely.

Senator WALSH. They would have to pay it anyway under the present law.

Mr. PAUL. At the estate tax rates.

Senator WALSH. They would pay the income tax, too?

Mr. PAUL. Oh, yes.

Senator WALSH. So you simply make him pay the income tax that he or his estate would pay anyway under the existing law?

Mr. MORGAN. If he died in 1942 you forgive him to the extent of \$1,050 and no more—

Senator BYRD (interposing). Suppose there was a loss in 1940, would you take that then—

Mr. MORGAN (interposing). In 1940?

Senator BYRD. Yes. Suppose the taxpayer had an actual loss in 1940?

Mr. MORGAN. His income would be zero and it would be the excess of \$1,000,000 over zero.

Senator BYRD. You took that as a base, and I thought perhaps you would take the loss into account. To carry that down to smaller figures, suppose a man in 1940 had no income, and in 1942 and 1943, for 1 year he earned \$10,000 and for the other year he earned \$15,000. How much total tax would he have to pay?

Senator BARKLEY. Why do you take 1940, 1942, and 1943? Why do you skip 1941?

Senator BYRD. That is what the Carlson bill does.

Senator BARKLEY. But not the one they passed?

Senator BYRD. No. It seems to me that under this bill there would be a number of people, even with smaller incomes, that would have to pay a large part of their current earnings in taxes. Before you

answer that, isn't this a new provision of the Carlson bill; was that in the original bill, this antiwindfall provision?

Mr. MORGAN. Well, it was in the bill that was offered as an amendment when the House first considered the matter, only the figures were different. The 1942 and 1943 incomes had to exceed the 1941 income by more than \$50,000, and the tax was 25 percent on the first \$500,000 of excess and an additional 25 percent on the excess over \$500,000.

Senator WALSH. But there were no windfall provisions in the original Ruml plan?

Mr. PAUL. The original Ruml plan didn't have any but the plan voted on in the first debate in the House did have some windfall provisions, including the one Mr. Morgan just described. Those windfall provisions did not have very much effect by way of reducing the cancelation, I don't think more than \$60,000,000.

Then in the second debate a totally different and more strenuous antiwindfall provision was inserted of the type that Mr. Morgan first described.

Senator CLARK. It is a fact that while the plan outlined by Mr. Ruml here originally didn't contain any windfall provisions, Mr. Ruml in his testimony before the subcommittee of this committee last summer did advocate windfall provisions, didn't he?

Mr. PAUL. He advocated not applying the cancelation to capital gains.

Senator CLARK. He said it was very easy to draw up windfall provisions and advocated them; so it is hardly fair to say that the Ruml plan didn't advocate any windfall provisions. I recall very well his testimony before the subcommittee, and I am sure Senators Danaher and Gerry will recall it equally well, and if not I have the record down in my office.

Mr. PAUL. I remember that he did recommend not having the forgiveness apply to capital gains, that is true, but that is only one type.

Mr. MORGAN. Answering your question, Senator Byrd, if he had an income of zero in 1940, and in 1942 he had an income of \$10,000—this is after exemptions—and in 1943 an income of \$15,000, he would have to pay in 1943 a tax on \$15,000, which is \$4,052 without the Victory tax, and he would have to pay, in addition to that, the excess of the 1942 income over the 1940 income plus \$5,000. So his total 1943 burden would be \$4,052, which is his regular burden, plus \$1,050 which you might call his windfall burden, or a total of \$5,102 without the Victory tax.

Senator BYRD. There would be many such instances where that particular antiwindfall tax would increase the taxes, because there has been quite a variation in earnings between 1940 and 1942 and 1943; isn't that the case? I mean you estimate \$900,000,000 recovery, don't you?

Mr. PAUL. A little more than that, I think it is one-billion-one hundred-million-dollars odd.

The CHAIRMAN. If there are no further questions of Mr. Morgan the committee will go into executive session as there are some matters that we wish to determine. Tomorrow morning, Mr. Stam and the representatives of the Treasury Department, we will ask you to be back with us.

(Whereupon, at 4:30 p. m., the committee went into executive session).

CURRENT TAX PAYMENTS ACT OF 1943

FRIDAY, MAY 7, 1943

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 10:30 a. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

The CHAIRMAN. The committee will come to order, please. Has the Treasury any further suggestions this morning?

Mr. PAUL. No, Mr. Chairman.

The CHAIRMAN. All right, Mr. Stam, we will hear from you.

STATEMENT OF COLIN F. STAM, CHIEF OF STAFF, JOINT COMMITTEE ON INTERNAL-REVENUE TAXATION

Senator CONNALLY. Mr. Stam, if you would hold up a minute, I would like to ask Mr. Paul one question.

Mr. STAM. Yes, sir.

Senator CONNALLY. As I understand your testimony yesterday, you prefer the Ways and Means Committee bill.

Mr. PAUL. That is right.

Senator CONNALLY. Is that in such shape that if the committee here should decide to do it we can just adopt it in lieu of the House bill and send it to Congress?

Mr. PAUL. It is all prepared. It is drafted.

Senator CONNALLY. It is all completed?

Mr. PAUL. Yes.

Senator CONNALLY. Thank you.

The CHAIRMAN. All right, Mr. Stam, we will be glad to have your views regarding this bill before us.

Mr. STAM. Mr. Chairman and gentlemen of the committee, we have made quite a study of the House bill. This plan was presented in the Ways and Means Committee and discussed somewhat at length at that time and later, of course, it was incorporated in the bill and presented on the floor.

The CHAIRMAN. You refer to the bill that was adopted?

Mr. STAM. I refer to the bill that was adopted. We do not feel that this bill accomplishes the purpose which is sought.

Senator DAVIS. That is the House bill?

Mr. STAM. That is the House bill.

Senator CONNALLY. You talk about not accomplishing the purpose which is sought. It depends on who is seeking the purpose. If a fellow wants the Ruml plan and does not want to pay any tax in 1942 at all, of course it does not meet with his purpose, and it does not meet

the purpose, on the other hand, of trying to get some money into the Treasury.

Mr. STAM. It does not meet the purpose of getting the people on a pay-as-you-go basis.

Senator CONNALLY. The Ruml plan is pay-as-you-go but it is all "go" and no "pay." Is that about it?

Mr. STAM. The Ways and Means Committee bill and the Ruml bill place all taxpayers on a current basis. This bill does not do that. This bill only places taxpayers on a current basis if they are in the first surtax bracket. The other taxpayers that are not in the first surtax bracket, or I mean that have incomes above the first surtax bracket rate, are not made current under this bill. They have to go ahead each year and make two computations.

The House bill will cost almost as much as a complete forgiveness of 1942 liabilities. Complete forgiveness of 1942 liabilities will result in a cancellation of 9.5 billion. This House bill will result in a cancellation of a liability of 7.2 billion, or 76 percent of the total 1942 liability. Thus, there is a difference of only 2.3 billion or 24 percent between this plan and complete forgiveness of 1942 liability.

It is argued that the amount of this forgiveness can be recaptured by an increase in rates in 1943. To do so, will be the equivalent of taking from the taxpayers in the fall that which was given to them in the spring. In addition, in the case of new taxpayers, there will be a recapture from them, although they received no forgiveness.

Under the House bill all but 4,000,000 taxpayers have 100 percent of their 1942 liability canceled. Taxpayers above the first bracket will not be fully current. This group above the first bracket constitutes approximately 4,000,000 of the estimated taxpayers. Only taxpayers up to the following net incomes will be fully current:

SINGLE PERSON

No dependents.....	\$2, 500
1 dependent.....	2, 850
2 dependents.....	3, 200

MARRIED PERSON

No dependents.....	3, 200
1 dependent.....	3, 550
2 dependents.....	3, 900
3 dependents.....	4, 250
4 dependents.....	4, 600

The remainder of the taxpayers will have to carry over a part of their liability for the prior year in addition to paying their basic liability for the current year. Thus, the taxpayer who is above first surtax bracket will be required to go through several complicated computations in determining his tax liability. First, he will be required to file his return for the preceding year, making adjustments therein for his basic liability for that year. Second, he will be required to estimate his income for the current year in order to pay the basic rate for the current year. The Bureau of Internal Revenue indicates that it will require three separate accounts for each taxpayer. These taxpayers will resent being required to make computations for 2 separate years, when the making of such computations does not put them on a current basis. When it is considered that the taxpayers

who must make these double computations year after year contribute about 60 to 65 percent of the total individual income tax, it is believed that there will be some justification for such resentment.

These figures are supported by the following data, taken from estimates furnished by the Treasury Department from the record of the public hearings, which show that persons having surtax net incomes above \$2,000—that is, net income above \$3,200 in the case of a married person with no dependents, or above \$2,500 in the case of a single person—will account for approximately 60 to 65 percent of the total tax liability for the calendar year 1943.

TABLE 1.—*Estimated tax liability under present law, at income levels estimated for the calendar year 1943, distributed by net income classes*

Net income class	Simple distribution		Cumulative distribution from—			
			Lowest-income class		Highest-income class	
	Amount	Percent	Amount	Percent	Amount	Percent
Under \$1,000.....	\$359	2.99	\$359	2.99	\$11,989	100.00
\$1,000 to \$2,000.....	2,534	21.14	2,893	24.13	11,630	97.01
\$2,000 to \$3,000.....	1,395	11.64	4,288	35.77	9,096	75.87
\$3,000 to \$4,000.....	1,243	10.37	5,531	46.14	7,701	64.23
\$4,000 to \$5,000.....	874	7.29	6,405	53.43	6,458	53.86
\$5,000 to \$10,000.....	1,233	10.28	7,638	63.71	5,584	46.57
\$10,000 to \$25,000.....	1,385	11.55	9,023	75.26	4,351	36.29
\$25,000 to \$100,000.....	1,710	14.26	10,733	89.52	2,966	24.74
\$100,000 to \$200,000.....	570	4.75	11,303	94.27	1,256	10.48
\$200,000 to \$500,000.....	395	3.30	11,698	97.57	686	5.73
\$500,000 to \$1,000,000.....	180	1.50	11,878	99.07	291	2.43
\$1,000,000 and over.....	111	.93	11,989	100.00	111	.93
Total.....	11,989	100.00				

NOTE.—Figures are rounded and will not necessarily add to totals.

Source: Treasury Department, Division of Research and Statistics.

On the other hand, if such taxpayers—that is, these 4,000,000 taxpayers that are not made current, and must carry over this old liability—desire to become current, they will have to pay an additional amount, which under the plan consists of their upper-bracket liability for the current year. In other words, they are required under the bill to pay their back-year liability, and if they want to get current they would have to, in addition to that, pay the upper-bracket liability for the current year. In several instances the additional amount will be such that it will greatly exceed the taxpayer's net income. The total payment required of a person with \$50,000 net income who desired to become current would be \$44,215; in the case of a person with \$100,000 of net income, the total payment would have to be \$114,956.

Now, I want to make it clear at that point that this House bill does not require the taxpayers to pay this additional amount, because they can still stay under the old system and pay the upper part of their liability for the prior year, but if they want to get current and be placed on the same basis as other taxpayers, then they will have to pay this additional amount.

That the House bill discriminates against the taxpayers who contribute most of the tax liability is shown by the following table:

TABLE II.—Single person, no dependents—amount and percent of 1942 tax forgiven under House bill (Robertson-Forand plan)

Net income before personal exemption	1942 tax under existing law	1942 tax under House bill	1942 tax forgiven under House bill	Percent of 1942 tax forgiven under House bill
\$500				
\$600	\$15.40		\$15.40	100.00
\$750	43.00		43.00	100.00
\$800	52.20		52.20	100.00
\$1,000	89.00		89.00	100.00
\$1,200	125.80		125.80	100.00
\$1,500	181.00		181.00	100.00
\$1,800	236.20		236.20	100.00
\$2,000	273.00		273.00	100.00
\$2,500	365.00		365.00	100.00
\$3,000	472.00	\$15	457.00	96.82
\$5,000	920.00	95	825.00	89.67
\$10,000	2,390.00	645	1,745.00	73.01
\$15,000	4,366.00	1,695	2,671.00	61.18
\$20,000	6,816.00	3,195	3,621.00	53.13
\$25,000	9,626.00	5,055	4,571.00	47.49
\$50,000	25,811.00	16,490	9,321.00	36.11
\$100,000	64,641.00	45,820	18,821.00	29.12
\$250,000	194,616.00	147,295	47,321.00	24.32
\$500,000	414,616.00	319,795	94,821.00	22.87
\$1,000,000	854,616.00	664,795	189,821.00	22.21
\$2,000,000	1,734,616.00	1,354,795	379,821.00	21.90
\$5,000,000	4,374,616.00	3,424,795	949,821.00	21.71

TABLE III.—Married person, no dependents—Amount and percent of 1942 tax forgiven under House bill (Robertson-Forand plan)

Net income before personal exemption	1942 tax under existing law	1942 tax under House bill	1942 tax forgiven under House bill	Percent of 1942 tax forgiven under House bill
\$1,200				
\$1,500	\$48.00		\$48.00	100.00
\$1,800	103.20		103.20	100.00
\$2,000	140.00		140.00	100.00
\$2,500	232.00		232.00	100.00
\$3,200	360.80		360.80	100.00
\$3,300	382.20	\$3	379.20	99.22
\$5,000	746.00	54	692.00	92.76
\$10,000	2,152.00	540	1,612.00	74.91
\$15,000	4,052.00	1,514	2,538.00	62.64
\$20,000	6,452.00	2,964	3,488.00	54.06
\$25,000	9,220.00	4,782	4,438.00	48.13
\$50,000	25,328.00	16,140	9,188.00	36.28
\$100,000	64,060.00	45,372	18,688.00	29.17
\$250,000	194,000.00	146,812	47,188.00	24.32
\$500,000	414,000.00	319,312	94,688.00	22.87
\$1,000,000	854,000.00	664,312	189,688.00	22.21
\$2,000,000	1,734,000.00	1,354,312	379,688.00	21.90
\$5,000,000	4,374,000.00	3,424,312	949,688.00	21.71

If you will look at this table, you will see the amount and the percent of the 1942 tax forgiven under the House bill. You will notice there that in the case of a \$500 net income before personal exemption there is no tax. In the case of a \$600 income, 100 percent of the tax is forgiven, and the 100 percent runs all the way up to net incomes of \$2,500.

You will notice as the income increases the percentage of forgiveness decreases, so that when you get down to the \$5,000,000 man he has only 21.71 percent of his 1942 tax canceled.

Now, in the case of a married man with no dependents, table III shows the same picture. You will notice that up to \$3,200 of net income 100 percent of the 1942 liability is canceled, and that decreases according to the size of the income, so that up at the top there is 21.71 percent forgiven of the 1942 liability.

Senator DANAHER. Question, Mr. Chairman.

The CHAIRMAN. Yes, Senator Danaher.

Senator DANAHER. On page 2, at the bottom of the page, you have a reference to "See par. 6."

Mr. STAM. That should be page 6.

Senator DANAHER. Thank you very much.

Mr. STAM. The difficulty of carrying on the books an assessment for 2 separate years will add undue complications to our tax laws. If there is anything about the tax law which should be simple, it should be the computation of the tax. Not only will these computations unduly burden the taxpayer but they will severely increase the administrative difficulties in the collectors' offices and the Bureau of Internal Revenue. The collector will be required to double his posting work. Instead of four payments to post—which he has now—he will have eight payments covering 2 years, part for the basic liability and part for the back liability. The chances of error are increased because of payments made simultaneously by a taxpayer for two separate and distinct tax-year liabilities. That is, he is paying his tax partly for the back year and partly for the current year. It will be necessary to list the first-bracket liability separately from the upper-bracket liability for the entire year, instead of the entire tax as one amount.

Many taxpayers will send in one check in payment of their liability. It will be necessary for the collector's office to determine what part of the amount belongs to the current liability and what part belongs to the back liability.

Refunds and credits will be further complicated by the splitting up of the year. For example, a taxpayer filing his return on March 15, 1944, might show a normal tax and first surtax bracket liability of \$100. The upper-bracket liability will amount to \$50. The question would have to be determined as to whether the interest will run on the first-bracket part which was paid currently in 1943 from the date of payment in 1943 and as to the upper brackets from the date of payments in 1944. In the case of refunds, if interest should run from the date of payment in 1944, it would appear that the taxpayer whose income is above the first bracket will lose a year's interest on the amount paid in 1943, that is, unless they have to separate these amounts.

The following taxpayers will have to pay the following additional amounts in order to become current:

TABLE IV.—*Single person; no dependents*

Net income before personal exemption	Penalty	Net income before personal exemption	Penalty
\$3,000.....	\$15	\$20,000.....	\$3,195
\$4,000.....	45	\$25,000.....	5,055
\$5,000.....	95	\$50,000.....	16,490
\$6,000.....	165	\$100,000.....	45,820
\$8,000.....	365	\$500,000.....	319,795
\$10,000.....	645	\$1,000,000.....	664,795
\$15,000.....	1,695	\$5,000,000.....	3,424,795

In the case of a single person with a net income before personal exemption of \$3,000, if he wanted to become current he would have to pay an additional amount of \$15, whereas people below that income bracket would pay nothing. In the case of the \$15,000 man, in order to become current he would have to pay \$1,695 as compared with the \$15 paid by the \$3,000 man, and in the case of the \$100,000 man, he would have to pay \$45,820 to become current, as compared with the \$5,055 of the \$25,000 man. Other tables which I now insert, further illustrate this point.

TABLE V.—*Married person; no dependents*

Net income before personal exemption	Penalty	Net income before personal exemption	Penalty
\$4,000.....	\$24	\$25,000.....	\$4,782
\$5,000.....	54	\$50,000.....	16,140
\$6,000.....	116	\$100,000.....	45,372
\$8,000.....	288	\$500,000.....	319,312
\$10,000.....	540	\$1,000,000.....	664,312
\$15,000.....	1,514	\$5,000,000.....	3,424,312
\$20,000.....	2,964		

TABLE VI.—*Married person; 2 dependents*

Net income before personal exemption	Penalty	Net income before personal exemption	Penalty
\$4,000.....	\$3	\$25,000.....	\$4,509
\$5,000.....	33	\$50,000.....	15,790
\$6,000.....	67	\$100,000.....	44,924
\$8,000.....	211	\$500,000.....	318,829
\$10,000.....	435	\$1,000,000.....	663,829
\$15,000.....	1,353	\$5,000,000.....	3,423,829
\$20,000.....	2,733		

TABLE VII.—*Total burden to become current in 1943 under Robertson plan—single person, no dependents*

Net income	Income tax plus gross Victory tax	Penalty	Total	Net income	Income tax plus gross Victory tax	Penalty	Total
\$3,000.....	\$607	\$15	\$622	\$20,000.....	\$7,896	\$3,195	\$11,091
\$4,000.....	877	45	922	\$25,000.....	10,984	5,055	16,039
\$5,000.....	1,167	95	1,262	\$50,000.....	28,558	16,490	45,048
\$6,000.....	1,476	165	1,641	\$100,000.....	70,165	45,820	115,985
\$8,000.....	2,155	365	2,520	\$500,000.....	442,363	319,795	762,158
\$10,000.....	2,914	645	3,559	\$1,000,000.....	900,000	664,795	1,564,795
\$15,000.....	5,168	1,695	6,863	\$5,000,000.....	4,500,000	3,424,795	7,924,795

TABLE VIII.—*Married person—no dependents*

Net income	Income tax plus gross Victory tax	Penalty	Total	Net income	Income tax plus gross Victory tax	Penalty	Total
\$4,000.....	\$723	\$24	\$747	\$25,000.....	\$10,578	\$4,782	\$15,360
\$5,000.....	993	54	1,047	\$50,000.....	28,075	16,140	44,215
\$6,000.....	1,294	116	1,410	\$100,000.....	69,584	45,372	114,956
\$8,000.....	1,945	288	2,233	\$500,000.....	441,747	319,312	761,059
\$10,000.....	2,676	540	3,216	\$1,000,000.....	900,000	664,312	1,564,312
\$15,000.....	4,854	1,514	6,368	\$5,000,000.....	4,500,000	3,424,312	7,924,312
\$20,000.....	7,532	2,964	10,496				

TABLE IX.—*Married person—2 dependents*

Net income	Income tax plus gross Victory tax	Penalty	Total	Net income	Income tax plus gross Victory tax	Penalty	Total
\$4,000.....	\$569	\$3	\$572	\$25,000.....	10,172	4,509	14,681
\$5,000.....	839	33	872	\$50,000.....	27,592	15,790	43,382
\$6,000.....	1,112	67	1,179	\$100,000.....	69,003	44,924	113,927
\$8,000.....	1,735	211	1,946	\$500,000.....	441,131	318,829	759,960
\$10,000.....	2,438	435	2,873	\$1,000,000.....	900,000	663,829	1,563,829
\$15,000.....	4,560	1,353	5,913	\$5,000,000.....	4,500,000	3,423,829	7,923,829
\$20,000.....	7,168	2,733	9,901				

Table V, married person, no dependents, indicates how much those taxpayers would have to pay in order to become current.

The main objection, as I say, to this plan, it seems to me, is that it does not adopt a pay-as-you-go plan for all taxpayers. It is not treating all taxpayers alike to put some taxpayers on a current basis and others on a partially current and partially back-tax system, particularly when the taxpayers that have to be on that partially current and partially back-tax system, pay from 60 to 65 percent of the total tax liability. It is for those reasons that we did not feel that the House bill was a proper solution of this problem.

In approaching the problem, it seems to me that we should consider it in direct relation to the burden we are imposing on the taxpayer, and also in relation to our present need for revenue. It does not seem logical to cancel a large part of an outstanding tax, which may have to be imposed later in the form of additional taxes. To collect at least a part of that which is outstanding at the present time and definitely fix the tax liability of the taxpayer for this year would, in my opinion, be much fairer than raising the rates later on. The additional amount to be raised should depend upon a study of the burden tables, so that we can find out how much burden we want to impose upon taxpayers.

In our study of this subject we have prepared numerous burden tables to cover all the various plans, and we have approached this subject entirely from the standpoint of the need for revenue and the burden to be imposed upon the taxpayer.

(The tables referred to are as follows:)

1. WAYS AND MEANS COMMITTEE BILL

Applying 1941 rates and exemptions to 1942 income instead of 1942 rates and exemptions. Loss in revenue, \$4.7 billion.

TABLE 1.—*Total burden tables*

SINGLE PERSON, NO DEPENDENTS—TOTAL CURRENT BURDEN

Net income before personal exemption	Current tax including gross Victory tax ¹	Current tax plus unforgiven 1942 tax		
		If unforgiven 1942 tax is paid in full on or before Mar. 15, 1944	If unpaid balance of unforgiven 1942 tax is paid on or before Mar. 15, 1945 ²	If one-third of unforgiven 1942 tax is paid on each installment date
\$500.....				
\$600.....	\$17.53	\$17.53	\$17.53	\$17.53
\$750.....	53.47	53.47	53.47	53.47
\$800.....	65.44	65.44	65.44	65.44
\$1,000.....	113.36	126.99	120.47	118.19
\$1,200.....	161.27	192.20	177.39	172.24
\$1,500.....	233.13	290.00	262.78	253.30
\$1,800.....	305.00	387.81	348.17	334.37
\$2,000.....	352.91	453.02	405.10	388.41
\$2,500.....	472.69	616.04	547.42	523.52
\$3,000.....	607.47	801.11	708.41	676.14
\$5,000.....	1,166.58	1,600.86	1,392.96	1,320.58
\$10,000.....	2,914.36	4,287.61	3,630.20	3,401.33
\$15,000.....	5,168.13	7,940.64	6,613.38	6,151.29
\$20,000.....	7,895.91	12,472.43	10,281.55	9,518.79
\$25,000.....	10,983.69	17,711.57	14,490.78	13,369.46
\$50,000.....	28,557.58	48,112.73	38,751.22	35,492.03
\$100,000.....	70,165.36	120,148.18	96,220.24	87,889.76
\$250,000.....	208,473.69	357,462.86	286,138.26	261,306.73
\$500,000.....	442,362.58	767,536.70	611,868.24	557,672.55
\$1,000,000.....	900,000.00	1,589,416.91	1,259,376.90	1,144,474.08
\$2,000,000.....	1,800,000.00	3,232,013.30	2,546,475.02	2,307,806.13
\$5,000,000.....	4,500,000.00	8,188,006.08	6,422,471.26	5,807,803.57

¹ Computed on a gross income reduced by 10 percent in arriving at specified net income.

² Assuming equal payments made in 1944 and 1945.

The following table shows the total current burden in the case of a married person with no dependents if current liability is paid and unforgiven 1942 tax is paid in 1, 2, or 3 installments.

MARRIED PERSON, NO DEPENDENTS—TOTAL CURRENT BURDEN

Net income before personal exemption	Current tax including gross Victory tax ¹	Current tax plus unforgiven 1942 tax		
		If unforgiven 1942 tax is paid in full on or before Mar. 15, 1944	If unpaid balance of unforgiven 1942 tax is paid on or before Mar. 15, 1945 ²	If one-third of unforgiven 1942 tax is paid on each installment date
\$1,200.....	\$35.47	\$35.47	\$35.47	\$35.47
\$1,500.....	100.13	100.13	100.13	100.13
\$1,800.....	172.00	192.30	182.59	179.20
\$2,000.....	219.91	257.51	239.51	233.24
\$2,500.....	339.69	420.53	381.83	368.36
\$3,200.....	507.38	648.76	581.08	557.51
\$3,300.....	534.33	685.76	613.27	588.03
\$5,000.....	992.58	1,328.72	1,167.81	1,111.78
\$10,000.....	2,676.36	3,890.76	3,309.40	3,107.00
\$15,000.....	4,854.13	7,396.42	6,179.37	5,755.65
\$20,000.....	7,531.91	11,838.13	9,776.64	9,058.93
\$25,000.....	10,577.69	16,992.93	13,921.65	12,852.49
\$50,000.....	28,074.58	47,243.81	38,067.05	34,872.18
\$100,000.....	69,584.36	119,124.80	95,408.64	87,151.89
\$250,000.....	207,857.69	356,372.05	285,274.75	260,522.36
\$500,000.....	441,746.58	766,416.94	610,589.64	556,877.91
\$1,000,000.....	900,000.00	1,588,901.56	1,259,108.26	1,144,271.33
\$2,000,000.....	1,800,000.00	3,231,452.16	2,546,203.36	2,307,621.33
\$5,000,000.....	4,500,000.00	8,187,473.36	6,422,193.56	5,807,614.67

¹ Computed on a gross income reduced by 10 percent in arriving at specified net income.

² Assuming equal payments made in 1944 and 1945.

TABLE 2.—*Married person, no dependents—amount of forgiveness of 1942 tax under various percentages forgiven*

Net income before personal exemption	1942 tax under existing law	If 10 per-cent is forgiven	If 20 per-cent is forgiven	If 25 per-cent is forgiven	If 30 per-cent is forgiven	If 40 per-cent is forgiven	If 50 per-cent is forgiven	If 60 per-cent is forgiven	If 70 per-cent is forgiven	If 75 per-cent is forgiven	If 80 per-cent is forgiven	If 90 per-cent is forgiven
\$1,200	\$48.00	\$4.80	\$9.60	\$12.00	\$14.40	\$19.20	\$24.00	\$28.80	\$33.60	\$36.00	\$38.40	\$43.20
\$1,500	103.20	10.32	20.64	25.80	30.96	41.28	51.60	61.92	72.24	77.40	82.56	92.88
\$2,000	140.00	14.00	28.00	35.00	42.00	56.00	70.00	84.00	98.00	105.00	112.00	125.00
\$2,500	232.00	23.20	46.40	58.00	69.60	92.80	116.00	139.20	162.40	174.00	185.60	208.80
\$3,200	330.80	33.08	72.16	90.20	108.24	144.32	180.40	216.48	252.56	270.60	288.64	324.72
\$3,300	382.20	38.22	76.44	95.55	114.66	152.88	191.10	229.32	267.54	286.65	305.76	343.98
\$5,000	746.00	74.60	149.20	186.50	223.80	298.40	373.00	447.60	522.20	559.50	596.80	671.40
\$10,000	2,152.00	215.20	430.40	538.00	645.60	860.80	1,076.00	1,291.20	1,506.40	1,614.00	1,721.60	1,936.80
\$15,000	4,052.00	405.20	810.40	1,013.00	1,215.60	1,620.80	2,026.00	2,431.20	2,836.40	3,039.00	3,241.60	3,646.80
\$20,000	6,452.00	645.20	1,290.40	1,613.00	1,935.60	2,580.80	3,226.00	3,871.20	4,516.40	4,839.00	5,161.60	5,806.80
\$25,000	9,220.00	922.00	1,844.00	2,305.00	2,766.00	3,688.00	4,610.00	5,532.00	6,454.00	6,915.00	7,376.00	8,298.00
\$50,000	25,328.00	2,532.80	5,065.60	6,332.00	7,593.40	10,131.20	12,664.00	15,196.80	17,729.60	18,995.00	20,262.40	22,795.20
\$100,000	64,030.00	6,403.00	12,806.00	16,015.00	19,218.00	25,624.00	32,030.00	38,436.00	44,842.00	48,045.00	51,248.00	57,654.00
\$250,000	194,000.00	19,400.00	38,800.00	48,500.00	58,200.00	77,600.00	97,000.00	116,400.00	135,800.00	145,500.00	155,200.00	174,600.00
\$500,000	414,000.00	41,400.00	82,800.00	103,500.00	124,200.00	165,600.00	207,000.00	248,400.00	289,800.00	310,500.00	331,200.00	372,600.00
\$1,000,000	854,000.00	85,400.00	170,800.00	213,500.00	256,200.00	341,600.00	427,000.00	512,400.00	597,800.00	640,500.00	683,200.00	768,600.00
\$2,000,000	1,734,000.00	173,400.00	346,800.00	433,500.00	520,200.00	693,600.00	867,000.00	1,040,400.00	1,213,800.00	1,300,500.00	1,387,200.00	1,560,600.00
\$5,000,000	4,374,000.00	437,400.00	874,800.00	1,093,500.00	1,312,200.00	1,749,600.00	2,187,000.00	2,624,400.00	3,061,800.00	3,280,500.00	3,499,200.00	3,936,600.00

TABLE 3.—Married person, no dependents—amount of unforgiven 1942 tax under various percentages forgiven

Net in- come before personal exemption	1942 tax under ex- isting law	Unforgiven 1942 tax										
		If 10 percent is forgiven	If 20 percent is forgiven	If 25 percent is forgiven	If 30 percent is forgiven	If 40 percent is forgiven	If 50 percent is forgiven	If 60 percent is forgiven	If 70 percent is forgiven	If 75 percent is forgiven	If 80 percent is forgiven	If 90 percent is forgiven
\$1,200	\$48.00	\$43.20	\$38.40	\$36.00	\$33.60	\$28.80	\$24.00	\$19.20	\$14.40	\$12.00	\$9.60	\$4.80
\$1,500	103.20	92.88	82.56	77.40	72.24	61.92	51.60	41.28	30.96	25.80	20.64	10.32
\$1,800	140.00	126.00	112.00	105.00	98.00	84.00	70.00	56.00	42.00	35.00	28.00	14.00
\$2,000	232.00	208.80	185.60	174.00	162.40	139.20	116.00	92.80	69.60	58.00	46.40	23.20
\$3,200	360.80	324.72	288.64	270.60	252.56	216.48	180.40	144.32	108.24	90.20	72.16	36.08
\$3,300	382.20	343.98	305.76	286.65	267.54	229.32	191.10	152.88	114.66	95.55	76.44	38.22
\$5,000	746.00	671.40	596.80	559.50	522.20	447.60	373.00	298.40	223.80	186.50	149.20	74.60
\$10,000	2,152.00	1,936.80	1,721.60	1,614.00	1,506.40	1,291.20	1,076.00	860.80	645.60	538.00	430.40	215.20
\$15,000	4,052.00	3,646.80	3,241.60	3,039.00	2,836.40	2,431.20	2,026.00	1,620.80	1,215.60	1,013.00	810.40	405.20
\$20,000	6,452.00	5,805.80	5,161.60	4,839.00	4,516.40	3,871.20	3,226.00	2,580.80	1,935.60	1,613.00	1,290.40	645.20
\$25,000	9,220.00	8,298.00	7,376.00	6,915.00	6,454.00	5,532.00	4,610.00	3,688.00	2,766.00	2,305.00	1,844.00	922.00
\$50,000	25,328.00	22,795.20	20,262.40	18,996.00	17,729.60	15,196.80	12,664.00	10,131.20	7,598.40	6,332.00	5,065.60	2,532.80
\$100,000	64,080.00	57,654.00	51,248.00	48,045.00	44,842.00	38,436.00	32,030.00	25,624.00	19,218.00	16,015.00	12,812.00	6,406.00
\$250,000	194,010.00	174,600.00	155,200.00	145,500.00	135,800.00	116,400.00	97,000.00	77,600.00	58,200.00	48,500.00	38,800.00	19,400.00
\$500,000	414,000.00	372,600.00	331,200.00	310,500.00	289,800.00	248,400.00	207,000.00	165,600.00	124,200.00	103,500.00	82,800.00	41,400.00
\$1,000,000	854,000.00	768,600.00	683,200.00	640,500.00	597,800.00	512,400.00	427,000.00	341,600.00	256,200.00	213,500.00	170,800.00	85,400.00
\$2,000,000	1,734,000.00	1,560,600.00	1,387,200.00	1,300,500.00	1,213,800.00	1,040,400.00	867,000.00	693,600.00	520,200.00	433,500.00	346,800.00	173,400.00
\$5,000,000	4,374,000.00	3,936,600.00	3,494,200.00	3,280,500.00	3,061,800.00	2,624,400.00	2,187,000.00	1,749,600.00	1,312,200.00	1,093,500.00	874,800.00	437,400.00

TABLE 4.—Married person, no dependents—Amount of each installment if unforfeited 1942 tax is paid in 2 years

Net income before personal exemption	If no forgiveness	If 10 percent is forgiven	If 20 percent is forgiven	If 25 percent is forgiven	If 30 percent is forgiven	If 40 percent is forgiven	If 50 percent is forgiven	If 60 percent is forgiven	If 70 percent is forgiven	If 75 percent is forgiven	If 80 percent is forgiven	If 90 percent is forgiven
\$1,200												
\$1,500	\$24.00	\$21.60	\$19.20	\$18.00	\$16.80	\$14.40	\$12.00	\$9.60	\$7.20	\$6.00	\$4.80	\$2.40
\$1,800	51.60	46.44	41.28	38.70	36.12	30.96	25.80	20.64	15.48	12.90	10.32	6.16
\$2,000	70.00	63.00	56.00	52.50	49.00	42.00	35.00	28.00	21.00	17.50	14.00	7.00
\$2,500	116.00	104.40	92.80	87.00	81.20	69.60	58.00	46.40	34.80	29.00	23.20	11.60
\$3,200	180.40	162.36	144.32	135.30	126.28	108.24	90.20	72.16	54.12	45.10	36.08	18.04
\$3,300	191.10	171.99	152.88	143.33	133.77	114.66	95.55	76.44	57.33	47.78	38.22	19.11
\$5,000	373.00	335.70	298.40	279.75	261.10	223.80	186.50	149.20	111.90	93.25	74.60	37.30
\$10,000	1,076.00	968.40	860.80	807.00	753.20	645.60	538.00	430.40	322.80	269.00	215.20	107.60
\$15,000	2,026.00	1,823.40	1,620.80	1,519.50	1,418.20	1,215.60	1,013.00	810.40	607.80	506.50	405.20	202.60
\$20,000	3,226.00	2,903.40	2,580.80	2,419.50	2,258.20	1,935.60	1,613.00	1,290.40	967.80	806.50	645.20	322.60
\$25,000	4,610.00	4,149.00	3,688.00	3,437.50	3,227.00	2,766.00	2,305.00	1,844.00	1,383.00	1,152.50	922.00	461.00
\$50,000	12,664.00	11,397.60	10,131.20	9,498.00	8,864.80	7,598.40	6,332.00	5,065.60	3,799.20	3,166.00	2,532.80	1,266.40
\$100,000	32,030.00	28,827.00	25,624.00	24,022.50	22,421.00	19,218.00	16,015.00	12,812.00	9,609.00	8,007.50	6,406.00	3,203.00
\$250,000	97,000.00	87,300.00	77,600.00	72,750.00	67,900.00	58,200.00	48,500.00	38,800.00	29,100.00	24,250.00	19,400.00	9,700.00
\$500,000	207,000.00	186,300.00	165,600.00	155,250.00	144,900.00	124,200.00	103,500.00	82,800.00	62,100.00	51,750.00	41,400.00	20,700.00
\$1,000,000	427,000.00	384,300.00	341,600.00	320,250.00	298,900.00	256,200.00	213,500.00	170,800.00	128,100.00	106,750.00	85,400.00	42,700.00
\$2,000,000	867,000.00	780,300.00	693,600.00	650,250.00	606,900.00	520,200.00	433,500.00	346,800.00	260,100.00	216,750.00	173,400.00	86,700.00
\$5,000,000	2,187,000.00	1,968,300.00	1,749,600.00	1,640,250.00	1,530,900.00	1,312,200.00	1,093,500.00	874,800.00	656,100.00	546,750.00	437,400.00	218,700.00

TABLE 5.—Married person, no dependents—Amount of each installment if unpaid 1942 tax is paid in 3 years

Net income before personal exemption	If no forgiveness	If 10 percent is forgiven	If 20 percent is forgiven	If 25 percent is forgiven	If 30 percent is forgiven	If 40 percent is forgiven	If 50 percent is forgiven	If 60 percent is forgiven	If 70 percent is forgiven	If 75 percent is forgiven	If 80 percent is forgiven	If 90 percent is forgiven
\$1,200												
\$1,500	\$16.00	\$14.40	\$12.80	\$12.00	\$11.20	\$9.60	\$8.00	\$6.40	\$4.80	\$4.00	\$3.20	\$1.60
\$1,800	34.40	30.96	27.52	25.80	24.08	20.64	17.20	13.76	10.32	8.60	6.88	3.44
\$2,000	46.67	42.00	37.33	35.00	32.67	28.00	23.33	18.67	14.00	11.67	9.33	4.67
\$2,500	77.33	69.60	61.87	58.00	54.13	46.40	38.67	30.93	23.20	19.33	15.47	7.73
\$3,200	120.27	108.24	96.21	90.20	84.19	72.16	60.13	48.11	36.08	30.07	24.05	12.03
\$3,300	127.40	114.66	101.92	95.55	89.18	76.44	63.70	50.96	38.22	31.85	25.48	12.74
\$5,000	248.67	223.80	198.93	186.80	174.07	149.20	124.33	99.47	74.60	62.17	49.73	24.87
\$10,000	717.33	645.60	573.87	538.00	502.13	430.40	358.67	286.93	215.20	179.33	143.47	71.73
\$15,000	1,350.67	1,215.60	1,080.53	1,013.00	945.47	810.40	675.33	540.27	405.20	337.67	270.13	135.07
\$20,000	2,150.67	1,935.60	1,720.53	1,613.00	1,505.47	1,290.40	1,075.33	860.27	645.20	537.67	430.13	215.07
\$25,000	3,073.33	2,766.00	2,458.67	2,305.00	2,151.33	1,844.00	1,536.67	1,229.33	922.00	768.33	614.67	307.33
\$50,000	8,442.67	7,598.40	6,754.13	6,332.00	5,909.87	5,065.60	4,221.33	3,377.07	2,532.80	2,110.67	1,688.53	844.27
\$100,000	21,353.33	19,218.00	17,082.67	16,015.00	14,947.33	12,812.00	10,676.67	8,541.33	6,406.00	5,338.33	4,270.67	2,135.33
\$250,000	64,666.67	58,200.00	51,733.33	48,500.00	45,275.67	38,800.00	32,333.33	25,866.67	19,400.00	16,166.67	12,933.33	6,466.67
\$500,000	138,000.00	124,200.00	110,400.00	103,500.00	96,600.00	82,800.00	69,000.00	55,200.00	41,400.00	34,500.00	27,600.00	13,800.00
\$1,000,000	284,666.67	256,200.00	227,733.33	213,800.00	199,266.67	170,800.00	142,333.33	113,866.67	85,400.00	71,166.67	56,933.33	28,466.67
\$2,000,000	578,000.00	520,200.00	462,400.00	433,500.00	404,600.00	346,800.00	289,000.00	231,200.00	173,400.00	144,500.00	115,600.00	57,800.00
\$5,000,000	1,458,000.00	1,312,200.00	1,166,400.00	1,093,800.00	1,020,600.00	874,800.00	729,000.00	583,200.00	437,400.00	364,500.00	291,600.00	145,800.00

TABLE 6.—Married person, no dependents—Amount of each installment if unforgiven 1942 tax is paid in 4 years

Net income before personal exemption	If no forgiveness	If 10 percent is forgiven	If 20 percent is forgiven	If 25 percent is forgiven	If 30 percent is forgiven	If 40 percent is forgiven	If 50 percent is forgiven	If 60 percent is forgiven	If 70 percent is forgiven	If 75 percent is forgiven	If 80 percent is forgiven	If 90 percent is forgiven
\$1,200												
\$1,500	\$12.00	\$10.80	\$9.60	\$9.00	\$8.40	\$7.20	\$6.00	\$4.80	\$3.60	\$3.00	\$2.40	\$1.20
\$1,800	25.80	23.22	20.64	19.35	18.06	15.48	12.90	10.32	7.74	6.45	5.16	2.58
\$2,000	35.00	31.50	28.00	26.25	24.50	21.00	17.50	14.00	10.50	8.75	7.00	3.50
\$2,500	58.00	52.20	46.40	43.50	40.60	34.80	29.00	23.20	17.40	14.50	11.60	5.80
\$3,200	90.20	81.18	72.16	67.65	63.14	54.12	45.10	36.08	27.06	22.55	18.04	9.02
\$3,300	95.55	86.00	76.44	71.66	66.89	57.33	47.78	38.22	28.67	23.89	19.11	9.56
\$5,000	186.50	167.85	149.20	139.88	130.55	111.90	93.25	74.60	55.95	46.63	37.30	18.65
\$10,000	538.00	484.20	430.40	403.50	376.60	322.80	269.00	215.20	161.40	134.50	107.60	53.80
\$15,000	1,013.00	911.70	810.40	759.75	709.10	607.80	506.50	405.20	303.90	253.25	202.60	101.30
\$20,000	1,613.00	1,451.70	1,290.40	1,209.75	1,129.10	967.80	806.50	645.20	483.90	403.25	322.60	161.30
\$25,000	2,305.00	2,074.50	1,844.00	1,728.75	1,613.50	1,383.00	1,152.50	922.00	691.50	576.25	461.00	230.50
\$30,000	6,332.00	5,698.80	5,065.60	4,749.00	4,432.40	3,799.20	3,166.00	2,532.80	1,899.60	1,583.00	1,266.40	633.20
\$100,000	16,015.00	14,413.50	12,812.00	12,011.25	11,210.50	9,609.00	8,007.50	6,406.00	4,804.50	4,003.75	3,203.00	1,601.50
\$250,000	48,500.00	43,650.00	38,800.00	36,375.00	33,950.00	29,100.00	24,250.00	19,400.00	14,550.00	12,125.00	9,700.00	4,850.00
\$500,000	103,500.00	93,150.00	82,800.00	77,625.00	72,450.00	62,100.00	51,750.00	41,400.00	31,050.00	25,875.00	20,700.00	10,350.00
\$1,000,000	213,500.00	192,150.00	170,800.00	160,125.00	149,450.00	128,100.00	106,750.00	85,400.00	64,050.00	53,375.00	42,700.00	21,350.00
\$2,000,000	433,500.00	390,150.00	346,800.00	325,125.00	303,450.00	260,100.00	216,750.00	173,400.00	130,050.00	108,375.00	86,700.00	43,350.00
\$5,000,000	1,093,500.00	984,150.00	874,800.00	820,125.00	765,450.00	656,100.00	546,750.00	437,400.00	328,050.00	273,375.00	218,700.00	109,350.00

TABLE 7.—Married person, no dependents—Amount of each installment if unforgiven 1942 tax is paid in 5 years

Net income before personal exemption	If no forgiveness	If 10 percent is forgiven	If 20 percent is forgiven	If 25 percent is forgiven	If 30 percent is forgiven	If 40 percent is forgiven	If 50 percent is forgiven	If 60 percent is forgiven	If 70 percent is forgiven	If 75 percent is forgiven	If 80 percent is forgiven	If 90 percent is forgiven
\$1,200.....	\$9.60	\$8.64	\$7.08	\$7.20	\$6.72	\$5.76	\$4.80	\$3.84	\$2.88	\$2.40	\$1.92	\$0.96
\$1,500.....	20.64	18.58	16.51	15.48	14.45	12.38	10.32	8.26	6.19	5.16	4.13	2.06
\$2,000.....	28.00	25.20	22.40	21.00	19.60	16.80	14.00	11.20	8.40	7.00	5.60	2.80
\$2,500.....	46.40	41.76	37.12	34.80	32.48	27.84	23.20	18.56	13.92	11.60	9.28	4.64
\$3,200.....	72.16	64.94	57.73	54.12	50.51	43.30	36.08	28.86	21.65	18.04	14.43	7.22
\$3,300.....	76.44	68.80	61.15	57.33	53.51	45.86	38.22	30.58	22.93	19.11	15.29	7.64
\$5,000.....	143.20	134.28	119.36	111.90	104.44	89.52	74.60	59.68	44.76	37.30	29.84	14.92
\$10,000.....	430.40	387.36	344.32	322.80	301.28	258.24	215.20	172.16	129.12	107.60	86.08	43.04
\$15,000.....	810.40	729.36	648.32	607.80	567.28	486.24	405.20	324.16	243.12	202.60	162.08	81.04
\$20,000.....	1,290.40	1,161.36	1,032.32	967.80	903.28	774.24	645.20	516.16	387.12	322.60	258.08	129.04
\$25,000.....	1,844.00	1,659.60	1,475.20	1,383.00	1,290.80	1,106.40	922.00	737.60	553.20	461.00	368.80	184.40
\$50,000.....	5,065.60	4,559.04	4,052.48	3,799.20	3,545.92	3,039.36	2,532.80	2,026.24	1,519.68	1,256.40	1,013.12	506.56
\$100,000.....	12,812.00	11,530.80	10,249.60	9,609.00	8,968.40	7,687.20	6,406.00	5,124.80	3,843.60	3,203.00	2,562.40	1,281.20
\$250,000.....	38,800.00	34,920.00	31,040.00	29,100.00	27,160.00	23,280.00	19,400.00	15,520.00	11,640.00	9,700.00	7,760.00	3,880.00
\$500,000.....	82,800.00	74,520.00	66,240.00	62,100.00	57,960.00	49,680.00	41,400.00	33,120.00	24,840.00	20,700.00	16,560.00	8,280.00
\$1,000,000.....	170,800.00	153,720.00	136,640.00	128,100.00	119,560.00	102,480.00	85,400.00	68,320.00	51,240.00	42,700.00	34,160.00	17,080.00
\$2,000,000.....	346,800.00	312,120.00	277,440.00	260,100.00	242,760.00	208,080.00	173,400.00	138,720.00	104,040.00	86,700.00	69,360.00	34,680.00
\$5,000,000.....	874,800.00	787,320.00	699,840.00	656,100.00	612,360.00	524,880.00	437,400.00	349,920.00	262,440.00	218,700.00	174,960.00	87,480.00

TABLE 8.—Married person, no dependents—Total current burden if unforgiven 1942 tax is paid in 2 years

Net Income before personal exemption	Current tax including gross Vice- tory tax ¹	Current tax plus unforgiven 1942 tax under various percentages forgiven											
		If no for- giveness	If 10% is forgiven	If 20% is forgiven	If 25% is forgiven	If 30% is forgiven	If 40% is forgiven	If 50% is forgiven	If 60% is forgiven	If 70% is forgiven	If 75% is forgiven	If 80% is forgiven	If 90% is forgiven
\$1,200	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47
\$1,500	100.13	124.13	121.73	119.33	118.13	116.93	114.53	112.13	109.73	107.33	106.13	104.93	102.53
\$1,800	172.00	223.00	218.44	213.28	210.70	208.12	202.96	197.80	192.64	187.48	184.90	182.32	177.16
\$2,000	219.91	289.91	282.91	275.91	272.41	268.91	261.91	254.91	247.91	240.91	237.41	233.51	226.91
\$2,500	339.69	455.69	444.09	432.49	423.69	420.29	409.29	397.69	386.09	374.49	368.69	362.89	351.29
\$3,200	507.38	687.78	669.74	651.70	642.68	633.66	615.62	597.58	579.54	561.50	552.48	543.46	525.42
\$3,300	534.33	725.43	706.32	687.21	677.66	668.10	648.99	629.88	610.77	591.66	582.11	572.55	553.44
\$5,000	992.58	1,365.58	1,328.28	1,290.98	1,272.33	1,253.68	1,216.38	1,179.08	1,141.78	1,104.48	1,085.83	1,067.18	1,029.88
\$10,000	2,676.36	3,752.36	3,644.76	3,537.16	3,483.36	3,429.56	3,321.96	3,214.36	3,106.76	2,999.16	2,945.36	2,891.56	2,783.96
\$15,000	4,854.13	6,880.13	6,677.53	6,474.93	6,373.63	6,272.33	6,069.73	5,867.13	5,664.53	5,461.93	5,360.63	5,259.33	5,056.73
\$20,000	7,531.91	10,757.91	10,435.31	10,112.71	9,951.41	9,790.11	9,467.51	9,144.91	8,822.31	8,499.71	8,338.41	8,177.11	7,854.51
\$25,000	10,577.69	15,187.69	14,726.66	14,265.69	14,035.19	13,804.69	13,343.69	12,882.69	12,421.65	11,960.69	11,730.19	11,499.69	11,038.69
\$50,000	28,074.58	40,738.58	39,472.18	38,205.78	37,572.58	36,939.38	35,672.98	34,406.58	33,140.18	31,873.78	31,240.58	30,607.38	29,340.98
\$100,000	69,584.36	101,614.36	98,411.36	95,298.36	93,608.86	92,005.36	88,802.36	85,599.36	82,396.36	79,193.36	77,591.86	75,990.86	72,787.36
\$250,000	207,857.69	295,157.69	285,457.69	280,007.69	275,757.69	266,057.69	256,357.69	246,657.69	236,957.69	232,107.69	227,257.69	217,557.69	212,507.69
\$500,000	441,746.58	628,046.58	607,346.58	596,946.58	586,646.58	565,946.58	545,246.58	524,546.58	503,846.58	483,146.58	462,446.58	441,746.58	420,946.58
\$1,000,000	900,000.00	1,327,000.00	1,284,300.00	1,241,600.00	1,220,250.00	1,198,900.00	1,156,200.00	1,135,000.00	1,070,800.00	1,028,100.00	1,008,750.00	988,400.00	942,700.00
\$2,000,000	1,800,000.00	2,567,000.00	2,580,300.00	2,493,600.00	2,450,250.00	2,406,900.00	2,320,200.00	2,233,500.00	2,146,800.00	2,060,100.00	2,016,750.00	1,973,400.00	1,886,700.00
\$5,000,000	4,500,000.00	6,687,000.00	6,468,300.00	6,249,600.00	6,140,250.00	6,030,900.00	5,812,200.00	5,563,500.00	5,374,800.00	5,136,100.00	5,046,750.00	4,937,400.00	4,718,700.00

¹ Computed on a gross income reduced by 10 percent in arriving at specified net income.

TABLE 9.—Married person, no dependents—total current burden if unforgiven 1942 tax is paid in 3 years

Net income before personal exemption	Current tax including gross Vie- tory tax ¹	Current burden plus unforgiven 1942 tax under various percentages forgiven											
		If no for- givenness	If 10% is forgiven	If 20% is forgiven	If 25% is forgiven	If 30% is forgiven	If 40% is forgiven	If 50% is forgiven	If 60% is forgiven	If 70% is forgiven	If 75% is forgiven	If 80% is forgiven	If 90% is forgiven
\$1,200	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47
\$1,500	100.13	116.13	114.53	112.93	112.13	111.33	109.73	108.13	106.53	104.93	104.13	103.33	101.73
\$1,800	172.00	206.40	202.96	199.52	197.80	196.08	192.64	189.20	185.76	182.32	180.60	178.88	175.44
\$2,000	210.91	266.58	261.91	257.24	254.91	252.58	247.91	243.24	238.58	233.91	231.58	229.24	224.58
\$2,500	339.69	417.02	409.29	401.56	397.69	393.82	386.09	378.36	370.62	362.89	359.02	355.16	347.42
\$3,200	507.38	627.65	615.62	603.59	597.53	591.57	579.54	567.51	555.49	543.46	537.45	531.43	519.41
\$3,300	534.33	661.73	648.99	636.25	629.88	623.51	610.77	598.03	585.29	572.55	566.18	559.81	547.07
\$5,000	992.58	1,241.25	1,216.38	1,191.51	1,179.08	1,166.65	1,141.78	1,116.91	1,092.05	1,067.18	1,054.75	1,042.31	1,017.45
\$10,000	2,676.36	3,393.69	3,321.96	3,250.23	3,214.36	3,178.49	3,106.76	3,035.03	2,963.29	2,891.56	2,855.69	2,819.83	2,748.09
\$15,000	4,854.13	6,204.80	6,069.73	5,934.66	5,867.13	5,799.60	5,664.53	5,529.46	5,394.40	5,259.33	5,191.80	5,124.26	4,989.20
\$20,000	7,531.91	9,082.38	8,947.51	8,812.44	8,744.91	8,677.38	8,542.31	8,407.24	8,302.18	8,177.11	8,069.58	7,962.04	7,746.98
\$25,000	10,577.69	13,651.02	13,343.69	13,036.36	12,832.69	12,729.02	12,421.69	12,114.36	11,807.02	11,499.69	11,346.02	11,192.36	10,885.02
\$50,000	28,074.58	36,517.25	35,072.98	34,828.71	34,406.58	33,984.45	33,140.18	32,295.91	31,451.65	30,607.38	30,185.25	29,763.11	28,918.85
\$100,000	69,584.36	90,937.69	88,802.36	86,667.03	85,599.36	84,531.69	82,396.36	80,261.03	78,125.69	75,990.36	74,922.69	73,855.03	71,719.69
\$250,000	207,857.69	274,324.36	269,057.69	269,591.02	266,367.00	253,143.36	246,657.69	240,191.02	233,724.36	227,257.69	224,024.36	220,791.02	214,324.36
\$500,000	441,746.58	579,746.58	565,946.58	552,146.58	545,246.58	538,346.58	524,546.58	510,746.58	496,946.58	483,146.58	476,246.58	469,346.58	455,546.58
\$1,000,000	900,000.00	1,184,666.67	1,156,200.00	1,127,733.33	1,113,500.00	1,099,266.67	1,070,800.00	1,042,333.33	1,013,866.67	985,400.00	971,166.67	956,933.33	928,466.67
\$2,000,000	1,800,000.00	2,378,000.00	2,320,200.00	2,262,400.00	2,233,500.00	2,204,600.00	2,146,800.00	2,089,000.00	2,031,200.00	1,973,400.00	1,944,500.00	1,915,600.00	1,857,800.00
\$5,000,000	4,500,000.00	5,958,000.00	5,812,200.00	5,666,400.00	5,593,500.00	5,520,600.00	5,374,800.00	5,229,000.00	5,083,200.00	4,937,400.00	4,864,500.00	4,791,600.00	4,645,800.00

¹ Computed on a gross income reduced by 10 percent in arriving at specified net income.

TABLE 10.—Married person, no dependents—Total current burden if unforgiven 1942 tax is paid in 4 years

Net Income before personal exemption	Current tax including gross Victory tax ¹	Current tax plus unforgiven 1942 tax under various percentages forgiven											
		If no forgiveness	If 10% is forgiven	If 20% is forgiven	If 25% is forgiven	If 30% is forgiven	If 40% is forgiven	If 50% is forgiven	If 60% is forgiven	If 70% is forgiven	If 75% is forgiven	If 80% is forgiven	If 90% is forgiven
\$1,200	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47
\$1,500	100.13	112.13	110.93	109.73	109.13	108.53	107.33	106.13	104.93	103.73	103.13	102.53	101.33
\$1,800	172.00	197.80	195.22	192.64	191.35	190.06	187.48	184.90	182.32	179.74	178.45	177.16	174.58
\$2,000	219.91	254.91	251.41	247.91	246.10	244.41	240.91	237.41	233.91	230.41	228.66	226.91	223.41
\$2,500	339.69	397.69	391.89	386.09	383.19	380.29	374.49	368.69	362.89	357.09	354.19	351.29	345.49
\$3,200	507.38	597.58	588.56	579.54	575.03	570.52	561.50	552.48	543.46	534.44	529.93	525.42	516.40
\$3,300	534.33	629.88	620.33	610.77	605.99	601.22	591.66	582.11	572.55	563.00	558.22	553.44	543.89
\$5,000	992.58	1,179.08	1,160.43	1,141.78	1,132.46	1,123.13	1,104.48	1,085.83	1,067.18	1,048.53	1,039.21	1,029.88	1,011.23
\$10,000	2,676.36	3,214.36	3,160.56	3,106.76	3,079.86	3,052.96	2,999.16	2,945.36	2,891.56	2,837.76	2,810.86	2,783.96	2,730.16
\$15,000	4,854.13	5,867.13	5,765.83	5,664.53	5,613.88	5,563.23	5,491.93	5,420.63	5,359.33	5,298.03	5,261.38	5,224.73	5,153.43
\$20,000	7,531.91	9,144.91	8,983.61	8,822.31	8,741.66	8,661.01	8,499.71	8,338.41	8,177.11	8,015.81	7,935.16	7,854.51	7,693.21
\$25,000	10,577.69	12,882.69	12,652.19	12,421.69	12,306.44	12,191.19	11,966.69	11,730.19	11,499.69	11,269.19	11,153.94	11,038.69	10,808.19
\$30,000	28,074.58	34,406.58	33,773.38	33,140.18	32,823.53	32,506.98	31,873.78	31,240.58	30,607.38	29,974.18	29,657.58	29,340.98	28,707.78
\$50,000	69,584.36	85,599.36	83,997.86	82,395.36	81,595.61	80,794.86	79,193.36	77,591.86	75,990.36	74,388.86	73,588.11	72,787.36	71,185.86
\$100,000	207,857.69	256,357.69	251,507.69	246,657.69	244,232.69	241,807.69	236,957.69	232,107.69	227,257.69	222,407.69	219,982.69	217,557.69	212,707.69
\$250,000	441,746.58	545,246.58	534,896.58	524,546.58	519,371.58	514,196.58	503,846.58	493,496.58	483,146.58	472,796.58	467,621.58	462,446.58	452,096.58
\$500,000	900,000.00	1,113,500.00	1,092,150.00	1,070,800.00	1,060,125.00	1,049,450.00	1,028,100.00	1,006,750.00	985,400.00	964,050.00	953,375.00	942,700.00	921,350.00
\$1,000,000	1,800,000.00	2,233,500.00	2,190,150.00	2,146,800.00	2,125,125.00	2,103,450.00	2,080,100.00	2,016,750.00	1,973,400.00	1,930,050.00	1,908,375.00	1,886,700.00	1,843,350.00
\$2,000,000	4,500,000.00	5,593,500.00	5,484,150.00	5,374,800.00	5,320,125.00	5,265,450.00	5,156,100.00	5,046,750.00	4,928,400.00	4,828,050.00	4,773,375.00	4,718,700.00	4,609,350.00

¹ Computed on a gross income reduced by 10 percent in arriving at specified net income.

TABLE 11.—Married persons, no dependents—Total current burdens if unforgiven 1942 tax is paid in 5 years

Net income before personal exemption	Current tax including gross Victory tax	If no forgiveness	If 10 percent is forgiven	If 20 percent is forgiven	If 25 percent is forgiven	If 30 percent is forgiven	If 40 percent is forgiven	If 50 percent is forgiven	If 60 percent is forgiven	If 70 percent is forgiven	If 75 percent is forgiven	If 80 percent is forgiven	If 90 percent is forgiven
\$1,200.....	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47	\$35.47
\$1,600.....	100.13	109.73	103.77	107.81	107.33	106.85	105.89	104.93	103.97	103.01	102.53	102.05	101.09
\$1,800.....	172.00	192.64	190.58	188.51	187.48	186.45	184.35	182.32	180.26	178.19	177.16	176.13	174.08
\$2,000.....	219.91	247.91	245.11	242.31	240.91	239.51	236.71	233.91	231.11	228.31	226.91	225.51	222.71
\$2,500.....	339.69	386.09	381.45	376.81	374.49	372.17	367.53	362.89	358.25	353.61	351.29	348.97	344.33
\$3,200.....	507.35	579.54	572.32	565.11	561.50	557.89	550.68	543.46	536.24	529.03	525.42	521.81	514.60
\$3,300.....	534.33	610.77	603.13	595.48	591.66	587.84	580.19	572.55	564.91	557.26	553.44	549.62	541.97
\$5,000.....	992.38	1,141.78	1,126.86	1,111.94	1,104.48	1,097.02	1,082.10	1,067.18	1,052.26	1,037.34	1,029.88	1,022.42	1,007.50
\$10,000.....	2,676.36	3,106.76	3,063.72	3,020.68	2,999.16	2,977.64	2,934.60	2,891.56	2,848.52	2,805.48	2,783.96	2,762.44	2,719.40
\$15,000.....	4,854.13	5,694.53	5,583.49	5,502.45	5,461.93	5,421.41	5,340.37	5,259.33	5,178.29	5,097.25	5,056.73	5,016.21	4,935.17
\$20,000.....	7,531.91	8,822.31	8,693.27	8,564.23	8,493.71	8,433.19	8,306.15	8,177.11	8,048.07	7,919.03	7,854.51	7,789.99	7,660.95
\$25,000.....	10,577.69	12,421.69	12,237.29	12,052.89	11,960.69	11,868.49	11,684.09	11,499.69	11,315.29	11,130.89	11,038.69	10,946.49	10,762.09
\$50,000.....	28,074.58	33,140.18	32,033.62	32,127.06	31,873.78	31,620.50	31,113.94	30,607.38	30,100.82	29,594.26	29,340.98	29,087.70	28,581.14
\$100,000.....	69,384.36	82,396.36	81,115.16	79,833.96	79,193.36	78,552.76	77,271.56	75,990.36	74,709.16	73,427.96	72,787.36	72,146.76	70,865.56
\$250,000.....	207,857.69	246,657.69	242,777.69	238,897.69	236,957.69	235,017.69	231,137.69	227,257.69	223,377.69	219,497.69	217,557.69	215,617.69	211,737.69
\$500,000.....	441,746.58	524,546.58	516,266.58	507,986.58	503,846.58	499,706.58	491,426.58	483,146.58	474,866.58	466,586.58	462,446.58	458,306.58	450,026.58
\$1,000,000.....	900,000.00	1,070,800.00	1,053,720.00	1,036,640.00	1,028,100.00	1,019,560.00	1,012,480.00	1,003,940.00	995,400.00	986,860.00	978,320.00	969,780.00	950,000.00
\$2,000,000.....	1,800,000.00	2,146,800.00	2,112,120.00	2,077,440.00	2,060,100.00	2,042,760.00	2,008,080.00	1,973,400.00	1,938,720.00	1,904,040.00	1,886,700.00	1,869,360.00	1,834,680.00
\$5,000,000.....	4,500,000.00	5,374,800.00	5,287,320.00	5,199,840.00	5,156,100.00	5,112,360.00	5,024,880.00	4,937,400.00	4,849,920.00	4,762,440.00	4,718,700.00	4,674,960.00	4,557,480.00

TABLE 12.—*Estimated amounts of 1942 liability canceled under various alternatives, and amount of liability remaining*

Percentage of liability canceled	Amount of liability canceled (millions of dollars)	Amount of liability remaining (millions of dollars)
(a) Equal percentage of tax reduction for all taxpayers:		
0.....	0	9,451
10.....	945	8,506
20.....	1,890	7,561
25.....	2,363	7,088
30.....	2,835	6,616
40.....	3,780	5,671
50.....	4,726	4,726
60.....	5,671	3,780
70.....	6,616	2,835
75.....	7,088	2,363
80.....	7,561	1,890
90.....	8,506	945
100.....	9,451	0
(b) House bill:		
77.....	7,237	2,214
(c) Ruml-Carlson bill:		
88.....	8,318	1,133
(d) Ways and Means Committee bill:		
49.....	4,671	4,780

TABLE 13.—*Married person, no dependents—Comparison of tax payable on 1942 income under Ruml-Carlson plan, and House bill with tax payable on like incomes in prior years*

Net income before personal exemption	Tax payable under—		Tax payable in prior years							
	Ruml-Carlson plan	House bill	In 1941	In 1940	In 1936, 1937, 1938, and 1939	In 1934 and 1935	In 1932 and 1933	In 1921	In 1919 and 1920	In 1918
\$1,200.....										
\$1,500.....										
\$1,800.....										
\$2,000.....			\$22.80							
\$2,500.....			42.00							
\$3,200.....										
\$3,300.....				\$11.00						
\$3,400.....			157.20	38.72	\$15.20	\$15.20	\$28.00	\$28.00	\$20.00	\$30.00
\$3,500.....		\$3.00	166.80	42.68	18.80	18.80	32.00	32.00	48.00	72.00
\$5,000.....		54.00	375.00	110.00	80.00	89.00	100.00	100.00	120.00	180.00
\$10,000.....		540.00	1,305.00	528.00	415.00	415.00	480.00	590.00	590.00	830.00
\$15,000.....		1,514.00	2,739.00	1,258.40	924.00	924.00	1,020.00	1,230.00	1,230.00	1,670.00
\$20,000.....		2,964.00	4,614.00	2,336.40	1,589.00	1,589.00	1,680.00	1,990.00	1,990.00	2,630.00
\$25,000.....		4,782.00	6,864.00	3,843.40	2,489.00	2,489.00	2,520.00	2,880.00	2,880.00	3,720.00
\$50,000.....		16,140.00	20,439.00	14,128.40	8,869.00	8,869.00	8,600.00	9,190.00	9,190.00	11,030.00
\$100,000.....		46,372.00	52,704.00	43,476.40	32,469.00	30,594.00	30,100.00	31,190.00	31,190.00	35,030.00
\$250,000.....		146,812.00	157,659.00	146,863.60	128,294.00	115,944.00	115,600.00	127,190.00	127,190.00	137,030.00
\$500,000.....		319,312.00	345,084.00	330,155.60	301,144.00	263,944.00	233,600.00	303,190.00	303,190.00	323,030.00
\$1,000,000.....		664,312.00	732,554.00	717,583.60	679,044.00	571,394.00	571,100.00	663,190.00	663,190.00	703,030.00
\$2,000,000.....		1,354,312.00	1,522,539.00	1,510,565.60	1,449,019.00	1,201,369.00	1,201,100.00	1,393,190.00	1,393,190.00	1,473,030.00
\$5,000,000.....		3,424,312.00	3,922,524.00	3,916,547.60	3,788,984.00	3,091,369.00	3,091,100.00	3,583,190.00	3,583,190.00	3,783,030.00

TABLE 15.—*Individual net income tax: Estimated number of taxpayers for the income years 1942 and 1943, by size of surtax net income and type of income*ESTIMATED NUMBER OF TAXABLE INCOME RECIPIENTS ¹

[In millions]

Type of income	1942			1943		
	Total	Surtax net income		Total	Surtax net income	
		Not over \$2,000	Over \$2,000		Not over \$2,000	Over \$2,000
Wages and salaries with not more than a nominal amount of other income.....	28	26.5	1.5	32	30	2
All other ²	11	9.0	2.0	12	10	2
Total.....	39	35.5	3.5	44	40	4

ESTIMATED NUMBER OF TAXABLE RETURNS ³

Wages and salaries with not more than a nominal amount of other income.....	25	23.5	1.5	29	27	2
All other ²	10	8.0	2.0	11	9	2
Total.....	35	31.5	3.5	40	36	4

¹ Number of individuals receiving net income in excess of exemption.² Including sources other than wages and salaries, and also wages and salaries combined with more than a nominal amount of other income.³ Number of returns that will be filed on which a tax will be due. This is less than the number of taxable income recipients because of the filing of joint returns including the income of more than 1 taxable income recipient, particularly in the smaller income classes.

Source: U. S. Treasury Department; Hearings before the Ways and Means Committee, February 2, 1943

TABLE 16.—Estimated number of taxpayers, net income and taxes (excluding Victory tax) under present law, at income levels estimated for calendar years 1942 and 1943, distributed by net income

[Money amounts in millions of dollars; number of taxpayers in thousands]

TAX

Net income class (thousand dollars)	Simple distribution				Cumulative distribution from lowest income class				Cumulative distribution from highest income class			
	Amount		Percent		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	1943	1942	1943	1942								
Under 1.....	359	318	2.99	3.24	359	3.24	318	2.99	11,989	100.00	9,815	100.00
1 to 2.....	2,534	2,170	21.14	22.11	2,893	25.35	2,488	24.13	11,630	97.01	9,497	96.76
2 to 3.....	1,395	1,176	11.64	11.99	4,288	37.34	3,664	35.77	9,096	75.87	7,327	74.65
3 to 4.....	1,243	927	10.37	9.44	5,531	46.78	4,591	46.14	7,701	64.23	6,151	62.66
4 to 5.....	874	615	7.29	6.57	6,405	53.35	5,235	53.43	6,458	53.86	5,224	53.22
5 to 10.....	1,233	1,024	10.28	10.43	7,638	63.71	6,260	63.71	5,584	46.57	4,579	46.65
10 to 25.....	1,385	1,193	11.55	12.15	9,023	75.93	7,453	75.25	4,351	36.29	3,555	36.22
25 to 100.....	1,710	1,470	14.26	14.98	10,733	89.52	8,923	89.52	2,966	24.74	2,362	24.07
100 to 200.....	570	397	4.75	4.05	11,303	94.27	9,320	94.27	1,256	10.48	892	9.09
200 to 500.....	395	275	3.30	2.80	11,698	97.57	9,595	97.76	686	5.73	495	5.04
500 to 1,000.....	180	126	1.50	1.28	11,878	99.07	9,721	99.07	291	2.43	220	2.21
1,000 and over.....	111	94	.93	.96	11,989	100.00	9,815	100.00	111	.93	94	.96
Total.....	11,989	9,815	100.00	100.00								

NOTE.—Figures are rounded and will not necessarily add to totals.

Source: U. S. Treasury Department; hearings before the Ways and Means Committee, Feb. 2, 1943.

TABLE 17.—Estimated number of taxpayers, net income and taxes (excluding Victory tax) under present law, at income levels estimated for calendar years 1942 and 1943, distributed by net income classes
[Money amounts in millions of dollars; number of taxpayers in thousands]

NUMBER OF TAXPAYERS

Net income class (thousand dollars)	Simple distribution				Cumulative distribution from lowest income class				Cumulative distribution from highest income class			
	Amount		Percent		Amount		Percent		Amount		Percent	
	1943	1942	1943	1942	1943	1942	1943	1942	1943	1942	1943	1942
Under 1.....	10,220	9,385	23.33	24.17	10,280	9,385	23.33	24.17	44,064.5	38,831.5	100.00	100.00
1 to 2.....	19,042	17,363	43.21	44.71	29,322	26,748	66.54	68.88	33,784.5	29,446.5	75.83	90.66
2 to 3.....	7,931	6,887	18.00	17.74	37,253	33,635	84.54	86.62	14,742.5	12,083.5	33.46	31.12
3 to 4.....	3,616	2,697	8.21	6.95	40,868	36,332	92.75	93.75	6,811.5	5,196.5	15.46	13.38
4 to 5.....	1,605	1,176	3.64	3.03	42,474	37,509	96.39	96.60	3,196.5	2,490.5	7.25	6.43
5 to 10.....	1,145	943	2.60	2.43	43,619	38,452	98.99	99.03	1,322.5	1,322.5	3.61	3.40
10 to 25.....	350	269	.79	.77	43,969	38,751	99.78	99.80	445.5	379.5	1.01	.97
25 to 100.....	87	75	.20	.19	44,056	38,826	99.98	99.99	95.5	80.5	.22	.20
100 to 200.....	6.2	4.3	.02	.01	44,062.4	38,830.0	100.00	100.00	8.3	5.8	.02	.01
200 to 500.....	1.7	1.2	(1)	(1)	44,064.1	38,831.2	100.00	100.00	2.1	1.5	(1)	(1)
500 to 1,000.....	.3	.2	(1)	(1)	44,064.4	38,831.4	100.00	100.00	.4	.3	(1)	(1)
1,000 and over.....	.07	.06	(1)	(1)	44,064.5	38,831.5	100.00	100.00	.07	.06	(1)	(1)
Total.....	44,064.5	38,831.5	100.00	100.00								

NET INCOME

Net income class (thousand dollars)	Simple distribution				Cumulative distribution from lowest income class				Cumulative distribution from highest income class			
	Amount		Percent		Amount		Percent		Amount		Percent	
	1943	1942	1943	1942	1943	1942	1943	1942	1943	1942	1943	1942
Under 1.....	\$7,767	\$7,335	8.41	9.34	\$7,767	\$7,335	8.41	9.34	\$92,395	\$78,520	100.00	100.00
1 to 2.....	28,319	25,278	30.65	32.20	36,086	32,613	39.06	41.54	84,628	71,185	91.59	90.66
2 to 3.....	18,924	16,521	20.48	21.04	55,010	49,134	59.54	62.58	56,309	43,907	60.94	58.46
3 to 4.....	12,467	9,329	13.49	11.88	67,477	58,463	73.03	74.46	37,385	29,386	40.46	37.42
4 to 5.....	7,120	5,239	7.71	6.67	74,597	63,702	80.74	81.13	24,918	20,057	26.97	25.54
5 to 10.....	7,470	6,178	8.08	7.87	82,067	69,880	88.82	89.00	17,798	14,818	19.26	18.87
10 to 25.....	3,083	4,373	3.50	5.37	87,150	74,253	94.32	94.57	10,328	8,640	11.18	11.00
25 to 100.....	3,571	3,072	3.87	3.91	90,721	77,325	98.19	98.48	4,267	5,683	4.68	5.43
100 to 200.....	823	575	.89	.73	91,544	77,900	99.08	99.21	1,974	1,195	1.81	1.52
200 to 500.....	501	352	.54	.45	92,045	78,252	99.62	99.66	851	620	.92	.79
500 to 1,000.....	215	151	.19	.19	92,260	78,403	99.85	99.85	350	268	.38	.34
1,000 and over.....	135	117	.15	.15	92,395	78,520	100.00	100.00	135	117	.15	.15
Total.....	92,395	78,520	100.00	100.00								

¹ Less than 0.005 percent.

Source: U. S. Treasury Department; Hearings before the Ways and Means Committee, Feb. 2, 1943.

Mr. STAM. Canada has recently adopted a pay-as-you-go system, and as far as earned income was concerned 50 percent of the 1942 liability was canceled. But even in Canada, as their tables show, there was a certain doubling up required by virtue of going over to that system. In other words, they did use this method to collect in 1943 some additional revenue in respect of the 1942 liability.

Senator CLARK. Mr. Stam, would you explain to the committee something about that Canadian system? I understand that the Canadians, in trying to go to a pay-as-you-go system, made a distinction not as to the amount of income, they treated all classes of income alike, but they did make a distinction as to a carry-over between earned income and income from capital investment. Is not that correct?

Mr. STAM. That is right.

Senator CLARK. So as to classes of income, that is to say, sources of income, they treated everybody alike, but they did make a distinction and permitted a carry-over of income from capital investments, or income other than earned income, to be collected, as I understand it, at the death of the taxpayer.

Mr. STAM. It could be collected any time up to the death of the taxpayer. What the Canadians did was they forgave or canceled 50 percent of the 1942 liability in the case of earned income. Investment income up to \$3,000 was treated as earned income. In the case of investment income 50 percent of the 1942 liability was deferred, and liability which was deferred could be paid by the taxpayer at any time prior to death.

Senator CLARK. But if it was not paid prior to death it was then an income tax to be paid by the estate and not an estate tax.

Mr. STAM. Not an estate tax.

Senator BYRD. Mr. Stam, at that point, about the 50 percent of investment income that was deferred, did they have to pay it in full or did they have the advantage of the insurance tables, for example?

Mr. STAM. They had the advantage of the insurance tables. They could pay it on the basis of the mortality table if they paid it on or before a certain date. I think I have a reference to that.

As to this deferred portion, it was provided that the taxpayer might liquidate this liability by a system of discounts, at 2 percent, according to mortality tables to be approved by the Minister of Finance, if he wanted to.

Senator BYRD. That is, he could immediately discharge this deferred claim against him under the actuarial tables of the insurance companies?

Mr. STAM. That is right.

Senator GERRY. Under the Canadian estate-tax law, can they deduct the income tax before reaching the amount of the estate tax?

Mr. STAM. I will be glad to look that up for you. I really don't know, Senator Gerry.

Senator GERRY. Well, it is not important.

Mr. STAM. The Minister of Finance, when he explained this plan to the Parliament in Canada, said:

There is good reason to distinguish between earned income and investment income in making this adjustment to the pay-as-we-earn plan. The reason for making the change arises almost entirely from the side of earned income. We wish to overcome the tax difficulties of those whose earnings cease or are reduced

because they retire or die, or because they enter the armed forces, or lose their jobs. In these circumstances there are much lower earnings, or no earnings, out of which to pay the tax due on past earnings.

In the case of investment income there is almost always capital out of which such remaining taxes can be paid following the death of the taxpayer, or in other circumstances.

Moreover, most investment incomes are not so likely to decline rapidly, nor to cease as are earned incomes. There is not such great need, therefore, to tax investment income on a current basis. Indeed the question of a change would never have arisen, I feel sure, if only investment income were concerned. It is not practical, however, to put one type of income on a current basis and not the other. Therefore we must make the shift in the collection of taxes on investment income even though it is not required on its own merits. In doing so, however, we do not need to relieve the taxpayer of a tax which he or the estate is quite able to meet out of capital if not out of income. The course of action proposed is well in accord with the principles of taxing on the basis of ability to pay.

I merely brought it up to show you that in Canada they do make a distinction between earned income and investment income.

We would have some difficulty, I think, under our tax law, from the administrative standpoint, in making any distinction between earned and investment income with respect to the 1942 liability, because the tax for 1942 has already been assessed. If you can look at the assessed tax without having to reexamine the return, it will make the administrative burden much easier.

Senator BYRD. Under the Canadian plan, Mr. Stam, what happens to the 50 percent of the earned income that is not canceled? When does he pay that?

Mr. STAM. The 50 percent of the earned income that is not canceled has to be paid in the current year.

Senator BYRD. That is doubled up?

Mr. STAM. That is doubled up. Of course they have paid quite a lot of that already, because they were almost on a current system in 1942 so the doubling up would not be anything like as severe as in this country if we are required to hold 50 percent of the tax to be paid in the current year in addition to the current liability.

Senator WALSH. Mr. Stam?

Mr. STAM. Yes; Senator Walsh.

Senator WALSH. If a taxpayer with a limited income died in November or December of 1942, his estate or his executor would have to pay an estate tax and pay an income tax for that year?

Mr. STAM. That is right.

Senator WALSH. What do you say to a plan of putting everybody on a current basis and having a provision that at the time of death the taxes that have been forgiven for the year 1942, if that is the year, should be paid as income taxes in addition to the estate tax? Nobody is forgiven, everybody has to pay. Isn't it a reasonable solution of the whole problem?

Mr. STAM. Well, the only difficulty with a proposition of that sort is, the long time it will take before the tax is paid. In other words, the liability may be outstanding for a long period of time.

One thought, it seems to me, that is important in connection with this problem is that at the present time we are in years of rising incomes, and I do not know how long we are going to be in these years of rising incomes. It may be better, even at the risk of some cancellation, to try to collect as much tax as we can in the next few years.

Senator WALSH. I cannot see that objection, Mr. Stam, but on the program before us we ought to provide for some cancellation and for wiping off some part of the debt of most of the taxpayers.

Mr. STAM. That is right.

Senator WALSH. This plan would wipe out no debt, it will simply postpone the payment of it.

Mr. STAM. That is right.

Senator WALSH. Put everybody on the current basis. In time of death, if they had a little estate the tax would be light, and if they had a heavy estate they would pay the full tax. I want you to think of it.

Mr. STAM. I will be glad to.

Senator BYRD. The same provisions as apply in Canada would apply in this country if they pay in full in accordance with the mortality tables.

Mr. STAM. That is right.

Senator BYRD. That would probably bring in extra money.

Mr. STAM. That is right.

Senator BYRD. This 1942 cancellation, that only becomes effective in the revenue upon death, when a taxpayer ceases to earn. Isn't that correct?

Mr. STAM. That is right. I would like to point out from the Canadian tables how much certain individuals are required to double up in order to get up on this current basis. This is on page 88, if you have the Canadian report. These tables are as follows:

CANADIAN TABLES

Table showing effect of proposed adjustment of 1942 tax liability on wages and salaries (earned income)

1. SINGLE PERSONS WITHOUT DEPENDENTS

1942 income ¹	Tax liability on 1942 income (before adjustment)		Amount deducted from wages or salary in 1942						Amount remaining to be paid, i. e., 50 percent of unadjusted tax liability less total deducted from wages or salary in 1942	
			Person with no savings credits			Person with full savings credits				
	Person with no savings credits	Person with full savings credits	National defense tax, January to August	Income tax, September to December	Total (national defense tax plus income tax)	National defense tax, January to August	Income tax, September to December	Total (national defense tax plus income tax)	Person with no savings credits	Person with full savings credits
\$700	\$40	\$20	\$24	\$2	\$26	\$24		\$24	—\$6	—\$14
\$850	116	58	29	23	52	29	\$7	36	6	—7
\$1,000	172	92	34	38	72	34	15	49	14	—3
\$1,250	267	167	59	61	120	59	31	90	14	—6
\$1,500	367	247	71	83	154	71	48	119	30	4
\$1,750	471	331	82	111	193	82	70	152	43	13
\$2,000	601	441	94	143	237	94	97	191	63	29
\$2,250	713	533	105	175	280	105	122	227	76	40
\$2,500	826	626	117	209	326	117	149	266	87	47
\$3,000	1,064	824	140	273	413	140	201	341	119	71
\$4,000	1,594	1,274	187	416	603	187	320	507	194	130
\$5,000	2,128	1,728	233	561	794	233	441	674	270	190
\$7,500	3,570	2,970	350	954	1,304	350	774	1,124	481	361
\$10,000	5,112	4,312	467	1,378	1,845	467	1,138	1,605	711	551
\$20,000	11,829	11,029	933	3,238	4,171	933	2,998	3,931	1,744	1,584
\$30,000	19,196	18,596	1,400	5,292	6,692	1,400	5,052	6,452	2,906	2,746
\$50,000	34,963	34,163	2,333	9,711	12,044	2,333	9,471	11,804	5,437	5,277

Minus (—) amounts will be allowed as credits or refunds.

¹ It is assumed that incomes of less than \$2,000 per year are paid weekly, and higher incomes monthly for the purpose of calculating deductions.

Table showing effect of proposed adjustment of 1942 tax liability on wages and salaries (earned income)—Continued

2. MARRIED PERSONS WITHOUT OTHER DEPENDENTS

1942 income	Tax liability on 1942 income (before adjustment)		Amount deducted from wages or salary in 1942						Amount remaining to be paid, i. e., 50 percent of unadjusted tax liability less total deducted from wages or salary in 1942	
			Person with no savings credits			Person with full savings credits				
	Person with no savings credits	Person with full savings credits	National defense tax, January to August	Income tax, September to December	Total (national defense tax plus income tax)	National defense tax, January to August	Income tax, September to December	Total (national defense tax plus income tax)	Person with no savings credits	Person with full savings credits
\$1,250	\$50	\$25	\$42	\$4	\$46	\$42		\$42	—\$21	—\$30
\$1,300	100	50	44	15	59	44		44	—9	—19
\$1,500	217	109	50	46	96	50	\$15	65	13	—11
\$1,750	321	161	59	74	133	59	27	86	27	—6
\$2,000	431	231	67	102	169	67	44	111	46	4
\$2,250	541	316	75	134	209	75	67	142	62	16
\$2,500	651	401	83	168	251	83	93	176	75	25
\$3,000	884	584	100	232	332	100	142	242	110	50
\$4,000	1,364	964	133	365	498	133	245	378	184	104
\$5,000	1,878	1,378	167	508	675	167	358	525	264	164
\$7,500	3,270	2,520	250	898	1,148	250	673	923	487	337
\$10,000	4,762	3,762	333	1,318	1,651	333	1,018	1,351	730	530
\$20,000	11,279	10,279	667	3,161	3,828	667	2,861	3,528	1,811	1,611
\$30,000	18,446	17,446	1,000	5,200	6,200	1,000	4,900	5,900	3,023	2,823
\$50,000	33,813	32,813	1,667	9,588	11,255	1,667	9,288	10,955	5,651	5,451

Minus (—) amounts will be allowed as credits or refunds.

3. MARRIED PERSONS WITH TWO DEPENDENTS

\$1,250	\$32	\$16	\$15	\$5	\$20	\$15		\$15	—\$4	—\$7
\$1,300	35	18	17	5	22	17		17	—4	—8
\$1,400	42	21	20	6	26	20		20	—5	—10
\$1,500	49	25	24	7	31	24		24	—6	—11
\$1,750	105	53	32	20	52	32	\$5	37	1	—10
\$2,000	215	107	41	47	88	41	17	58	20	—4
\$2,250	325	163	48	78	126	48	31	79	36	2
\$2,500	435	217	57	111	168	57	46	103	49	5
\$3,000	663	334	73	176	249	73	76	149	85	18
\$4,000	1,148	668	107	308	415	107	164	271	159	63
\$5,000	1,662	1,062	140	452	592	140	272	412	239	119
\$7,500	3,054	2,154	223	842	1,065	223	572	795	462	282
\$10,000	4,546	3,346	307	1,261	1,568	307	901	1,208	705	465
\$20,000	11,063	9,863	640	3,106	3,746	640	2,746	3,386	1,786	1,546
\$30,000	18,230	17,030	973	5,145	6,118	973	4,785	5,758	2,997	2,757
\$50,000	33,597	32,397	1,640	9,532	11,172	1,640	9,172	10,812	5,626	5,386

Minus (—) amounts will be allowed as credits or refunds.

Table showing effects of proposed adjustment of 1942 tax liability on investment incomes

SINGLE PERSONS WITHOUT DEPENDENTS

1942 income	Tax liability on 1942 income (before adjustment)		Adjusted liability on 1942 income; payable during 1942 and 1943		Deferred liability due at death of taxpayer	
	Persons with no savings credits	Persons with full savings credits	Persons with no savings credits	Persons with full savings credits	Persons with no savings credits	Persons with full savings credits
\$700	\$40	\$20	\$20	\$10		
\$850	116	58	58	29		
\$1,000	172	92	86	46		
\$1,250	267	167	134	84		
\$1,500	367	247	184	123		
\$1,750	481	341	240	170		
\$2,000	621	461	310	230		
\$2,250	743	563	372	282		
\$2,500	866	666	433	333		
\$3,000	1,124	884	562	442		
\$4,000	1,694	1,374	947	687	\$212	\$172
\$5,000	2,268	1,868	1,134	934	454	374
\$7,500	3,810	3,210	1,905	1,605	1,143	963
\$10,000	5,442	4,652	2,726	2,326	1,909	1,628
\$20,000	12,569	11,769	6,284	5,884	5,342	5,002
\$30,000	20,336	19,536	10,168	9,768	9,151	8,791
\$50,000	39,903	36,103	18,451	18,051	17,344	16,968
\$100,000	82,337	81,537	41,168	40,768	39,933	39,545
\$500,000	474,304	473,504	237,152	236,752	235,729	235,331

MARRIED PERSONS WITH NO OTHER DEPENDENTS

\$1,250	\$50	\$25	\$25	\$12		
\$1,300	100	50	50	25		
\$1,500	217	109	109	54		
\$1,750	331	165	165	83		
\$2,000	451	251	225	125		
\$2,250	571	346	285	173		
\$2,500	691	441	345	220		
\$3,000	944	644	472	322		
\$4,000	1,464	1,064	732	532	\$183	\$133
\$5,000	2,018	1,518	1,009	759	404	304
\$7,500	3,510	2,760	1,755	1,380	1,053	828
\$10,000	5,102	4,102	2,551	2,051	1,786	1,436
\$20,000	12,019	11,019	6,009	5,509	5,108	4,683
\$30,000	19,586	18,586	9,793	9,293	8,814	8,364
\$50,000	35,753	34,753	17,876	17,376	16,804	16,334
\$100,000	80,187	79,187	40,093	39,593	38,891	38,406
\$500,000	454,154	463,154	232,077	231,577	230,685	230,188

MARRIED PERSONS WITH TWO DEPENDENTS

\$1,250	\$32	\$16	\$16	\$8		
\$1,300	35	18	18	9		
\$1,400	42	21	21	10		
\$1,500	49	24	24	12		
\$1,750	115	57	57	29		
\$2,000	235	117	117	59		
\$2,250	355	177	177	89		
\$2,500	475	237	237	119		
\$3,000	728	364	364	182		
\$4,000	1,248	768	624	384	\$156	\$96
\$5,000	1,802	1,202	901	601	360	240
\$7,500	3,294	2,394	1,647	1,197	988	718
\$10,000	4,886	3,686	2,443	1,843	1,710	1,290
\$20,000	11,803	10,603	5,901	5,301	5,016	4,506
\$30,000	19,370	18,170	9,685	9,085	8,716	8,176
\$50,000	35,537	34,337	17,768	17,168	16,702	16,138
\$100,000	79,971	78,771	39,985	39,385	38,786	38,204
\$500,000	463,938	462,738	231,969	231,369	230,577	229,981

¹ This amount is one-half the unadjusted total liability. The quarterly installments paid in respect of this income in October 1942 and January 1943, together with deductions at the source, will presumably already have covered most of this liability. The residual, if any, must be paid during 1943.

The \$10,000 man who has no savings credit—in Canada when they speak about savings credits they refer to current credits like we have in the case of the Victory tax, that is, the credits for insurance premiums, debts, and so forth—a single person that does not have those credits with an income of \$10,000 will have to pay an additional amount of \$711; and if he does have the full savings credit, he will pay an additional amount of \$551. In the very low brackets, 50 percent of the 1942 tax liability has been paid so there will be no doubling up.

In the higher brackets, there is a doubling up, which increases as you go along. The \$50,000 income taxpayer, if he had no savings credit, would pay \$5,437 additional, and with savings credit, \$5,277 additional.

We have prepared for the committee a pamphlet showing the burden upon the taxpayer under various plans, and if the committee wants to discuss these burdens I will be glad to do it, or if they want to wait until we get into executive session and then go over these burden tables, I will be glad to do that. I will do either, at the pleasure of the committee.

The CHAIRMAN. There are no questions now. You might omit that until we do go into executive session.

Mr. STAM. We have approached this problem from the standpoint that the Government needs revenue, and also from the standpoint of how much additional burden the taxpayer could bear at this time. It seems to us it might be better to definitely fix the liability for the year now instead of having to increase the burden later in the year.

I think most of the members of the Ways and Means Committee believe that quite a mistake was made in the Revenue Act of 1942, in passing that act so late in 1942 and making it retroactive for the entire 1942 year. I hope we will not be forced to impose a retroactive individual income tax in subsequent acts, because I do think it is a mistake. If you could determine the amount to be collected from the taxpayers at this time, it might help a lot toward making the taxpayer's tax liability definite and certain in the early part of the year.

The CHAIRMAN. Mr. Stam, was a proposal considered by the Ways and Means Committee to forgive some fixed percentage of the taxes all the way through?

Mr. STAM. Yes.

The CHAIRMAN. And spread out the balance?

Mr. STAM. There was one proposal considered by the Ways and Means Committee to cancel 50 percent of the taxpayer's tax liability and spread the other 50 percent over a period of 5 years. The way that proposal worked out, the total tax liability paid in the taxable year did not exceed the taxpayer's net income.

The CHAIRMAN. In some it did, did it not, in some instances?

Mr. STAM. In the case of the \$1,000,000 income it did not. In the case of the \$2,000,000 income it did not, and in the case of the \$5,000,000 income it did not. Now we have this table on page 18, table No. 11, which relates to the very question you have in mind. I thought you might be interested in that.

Senator DAVIS. Which book is that?

Mr. STAM. That is part 2. This is table 11, married persons, no dependents, and this gives the total current burdens if the unforgiven 1942 tax is paid in 5 years. You will notice that the current tax liability is in the second column. That is the amount that the taxpayer is required to pay anyway. If there is no forgiveness at all, if we do not cancel, then, for example, the \$2,500 man pays, under existing law, \$339.69. If there is no forgiveness then his total tax is going to be \$386.09. If 10 percent is forgiven it is \$381.45. That is the amount he pays each year of those 5 years as it runs along.

The CHAIRMAN. Each year?

Mr. STAM. Each year of those 5 years. Take the \$10,000 man, for example, if 10 percent is forgiven he would pay in each year of that 5-year period \$3,163.72. You go along over there and you will see if 50 percent is forgiven he would pay \$2,991.56, compared with \$2,776.36 under existing law. That is a slight increase in burden.

The CHAIRMAN. For 5 years?

Mr. STAM. He does that for each year of the 5-year period. The \$100,000 man pays under existing law a tax of \$69,584.36. If 50 percent is forgiven he would pay \$75,990.36. In other words, his tax would be increased each year by about \$6,000 in order to get on a current basis.

Senator BYRD. For 5 years?

Mr. STAM. Each year for 5 years. Any increase of that sort would, of course, have to be taken into consideration when you are imposing taxes in the future.

Now, on page 19 of this pamphlet——

Senator VANDENBERG (interposing). Before you leave 18, what does that staggered line at the bottom mean?

Mr. PRICE. All below that line would exceed the net income for the year.

Senator VANDENBERG. They would owe more than they would get?

Mr. PRICE. Yes, sir.

Mr. STAM. You will notice if you forgive 50 percent they do not exceed the line.

Senator WALSH. In the case of heavy taxpayers that is possible under the present law, where the taxes would exceed the income for the following year.

Mr. STAM. It might be. That is the tax for the past year.

Senator WALSH. Yes.

Mr. STAM. On page 19 you will notice the estimated amounts of the 1942 liability canceled under various alternatives, and amount of liability remaining. I would like to have Mr. Burgess explain that table.

Mr. BURGESS. The first section of this table, marked (a), shows the amount of the total 1942 income tax liability canceled, and the amount remaining to be paid, under a scheme which would cancel an equal percentage of the tax for all taxpayers. Senator George just asked whether such a plan had been discussed in the Ways and Means Committee.

Estimated amounts of 1942 liability canceled under various alternatives, and amount of liability remaining

Percentage of liability canceled	Amount of liability canceled	Amount of liability remaining
(a) Equal percentage of tax reduction for all taxpayers:		
0.....	0	\$9,451,000,000
10.....	\$945,000,000	8,506,000,000
20.....	1,890,000,000	7,561,000,000
25.....	2,363,000,000	7,088,000,000
30.....	2,835,000,000	6,616,000,000
40.....	3,780,000,000	5,671,000,000
50.....	4,726,000,000	4,726,000,000
60.....	5,671,000,000	3,780,000,000
70.....	6,616,000,000	2,835,000,000
75.....	7,088,000,000	2,363,000,000
80.....	7,561,000,000	1,890,000,000
90.....	8,506,000,000	945,000,000
100.....	9,451,000,000	0
(b) House bill:		
77.....	7,237,000,000	2,214,000,000
(c) Ruml-Carlson bill:		
88.....	8,318,000,000	1,133,000,000
(d) Ways and Means Committee bill:		
49.....	4,671,000,000	4,780,000,000

In this table you see that if there is no forgiveness, no liability canceled, the amount of liability remaining is, of course, \$9,451,000,000. If 10 percent of the liability were canceled for all taxpayers, or \$945,000,000 in total, there would remain to be paid \$8,506,000,000 of the 1942 liability. Running down the line to 50 percent, we see that if this amount of the tax were canceled for all taxpayers, the cancellation would amount to \$4,726,000,000 and there would remain an equal amount of the 1942 liability, or \$4,726,000,000.

At 75 percent cancellation, the amount canceled would be \$7,088,000,000, and the amount remaining of the 1942 liability would be \$2,363,000,000.

Now these percentages compare, in over-all cancellation, with the House bill, the Ruml-Carlson bill, and the Ways and Means Committee bill as shown under the last three sections (b), (c), and (d). The House bill, in effect, cancels 77 percent of the total 1942 liability. Of course the House bill does not cancel an equal percentage of tax for all persons, but considered as a whole, 77 percent of the liability, or \$7,237,000,000 is canceled, and there remains to be paid \$2,214,000,000.

The Ruml-Carlson bill, as you know, cancels 100 percent of the 1942 liability, but recoups, through the windfall provisions, an amount equivalent to 12 percent of the liability; so the amount canceled is 88 percent or \$8,318,000,000, and there would remain to be paid \$1,133,000,000.

The Ways and Means Committee bill, considering all taxpayers as a whole, cancels 49 percent of the total 1942 liability. Again, the cancellation is distributed differently among the income tax brackets. Of course, it is not the same percentage for all. The cancellation amounts to \$4,671,000,000, and there would remain \$4,780,000,000 under the Ways and Means Committee bill.

Mr. STAM. You will notice that under the 50 percent cancellation, for example, the amount remaining is \$4,726,000,000 as compared with \$2,214,000,000 under the House bill.

Senator LUCAS. Would the amount of liability remaining under the House bill be collected over the period of 5 years?

Mr. STAM. Under the House bill the amount of liability remaining would be collected over a period of 3 years, with certain discounts allowed for payment in the first 2 years, and permission was given for an extension of time up to 3 additional years for the payment of any installment in the case of undue hardship. That is the Ways and Means Committee bill. Did you speak about the House bill?

Senator LUCAS. I was speaking about the House bill.

Mr. STAM. The only doubling up in the Ruml-Carlson bill was due to the windfall provisions. The Commissioner was authorized to grant an extension of time of 3 years in the case of the windfall provision.

Senator VANDENBERG. That is the Ruml-Carlson bill.

Mr. STAM. I am sorry. I will repeat again. The House bill does not have any doubling up, so there would be no extension of time.

Senator LUCAS. Yes.

Mr. STAM. In other words, under the House bill the taxpayer is not fully current. He is paying on the basis of the current year for his lower level and the back year for the upper level, so he is not really current. But there is no doubling up, unless he wants to go on the current basis.

Senator CLARK. Mr. Stam, the House bill puts part of the taxpayers on the current basis and the other part it does not put on a current basis, is that true?

Mr. STAM. That is true.

Senator CLARK. As to the normal tax and the first surtax bracket it gets everybody current?

Mr. STAM. Yes.

Senator CLARK. As to the rest of them, as to everything above the normal tax and the first surtax bracket, if a man wants to pursue the present system for next year he can still do that, under the House bill, is that correct?

Mr. STAM. He cannot continue under the present system under the House bill, because he must estimate his basic liability, that is, the current liability for the taxable year. He pays that currently, but the upper part of his liability, that amount above the first bracket, he does not pay until the next year.

Senator CLARK. That is what I say. Everything above the normal tax and the first surtax bracket he can pay next year if he wants to. So you have part of it current and the other not current.

Mr. STAM. That is right.

Senator BYRD. When does he have to make the estimate?

Mr. STAM. He is supposed to make the estimate after the plan is in full operation on March 15 of each year.

Senator BYRD. You mean March of that year?

Mr. STAM. March 15 of that year. He can revise this estimate in June, September, or December. For the first year, which is 1943, he will be required to make an estimate on September 15 as to his liability for 1943 but the estimating tax paid will be at the basic rate.

Senator BYRD. Then next March he makes it for the entire year 1944?

Mr. STAM. Next March he files a return for 1943 and he pays on the upper part of the liability for 1943, because he did not pay that in 1943. At the same time he makes an estimate of his income for 1944 and pays the lower-bracket tax, on the lower liability, that is, that which is subject to the basic rate.

Senator BYRD. Then if he makes an error in estimating, is not he penalized?

Mr. STAM. If he makes an error in estimating the basic rate, which is the only thing he has to estimate under the House bill, it is corrected in the following year when he files his final return.

Senator BYRD. Somebody stated here yesterday that there is a penalty.

Mr. STAM. There is a 6 percent penalty if it is below 80 percent of his true tax liability.

Senator JOHNSON. Mr. Stam, I notice your total, considering all three plans, is \$9,451,000,000, and the total tax, as I understand it, is something about \$23,000,000,000, so this only applies to a superficial extent.

Mr. STAM. This is the individual income-tax liability for the year 1942.

Senator JOHNSON. And you do nothing about the corporations' liability?

Mr. STAM. That is right.

Senator RADCLIFFE. Mr. Stam, that 6-percent penalty you referred to, is that fixed and rigid? Is there any discretion left with anyone to consider special circumstances?

Mr. STAM. That is done to force the taxpayer to declare a somewhat nearly correct estimate. He has a chance to revise his estimate through the year. He can start out and make an estimate in March, and then if he thinks that is too high he can revise it in June, then he can make another revision in September, and another revision in December, and if his estimate is less than 80 percent of his correct tax liability at this basic rate, then he is subject to the 6-percent additional amount on that difference.

Senator RADCLIFFE. Those provisions would take care of all except the unusual cases which might develop late in the year.

Senator WALSH. Mr. Stam, what is the advantage, if any, in relation to any plan that Congress adopts, if it were operated on July 1 or January 1, next?

Mr. STAM. The only advantage of starting July 1—it would be much better to start January 1, except it will be better to start withholding as soon as possible in order to collect currently from the taxpayers. July 1 was supposed to be the earliest date that the Commissioner could get it under way, if this bill was passed somewhere near the middle of May.

Senator LODGE. Mr. Chairman, may I ask a question?

The CHAIRMAN. Senator Lodge.

Senator LODGE. Mr. Stam, we are considering four plans here this morning, the one of the joint committee, the House bill, the Ruml-Carlson bill, and the Ways and Means Committee bill. Which of those four would yield the largest revenue?

Mr. STAM. Three plans, the House bill, the Ways and Means Committee bill, and the Ruml-Carlson bill. The Ways and Means Committee bill would yield the largest revenue.

Senator LODGE. Which of the four would make the largest number of taxpayers current?

Mr. STAM. Well, it depends on what you mean by the word "current." The Ways and Means Committee bill and the Ruml-Carlson bill make the taxpayers current as to their current liability, but under the Ways and Means Committee bill they have some hang-over,

because they have to pay part of their 1942 liability over a 3-year period.

Senator LODGE. Which would make the largest number of taxpayers current?

Mr. STAM. Of course if you regard the liability that they are paying for 1942 as preventing them from being current, then under the Ways and Means Committee bill they would not be fully current until the 3-year period had expired, unless they paid it up before that time. Under the Ruml-Carlson bill, if you forgive 100 percent, the taxpayers would be fully current the first year, except as to the windfall provisions.

Senator LODGE. Can you state in round numbers the approximate revenue to be derived from all four plans?

Mr. STAM. We have the amount. Can you give that, Mr. Burgess?

Mr. BURGESS. Under the four plans the liability remaining after cancellation is as follows: under the House bill, \$2,214,000,000.

Senator LODGE. You say the liability remaining. What do you mean?

Mr. BURGESS. After cancellation.

Senator LODGE. I am talking about the revenue that will come into the Treasury from these four proposed tax bills.

Mr. BURGESS. That would be the figure.

Senator LODGE. That is the revenue?

Mr. BURGESS. Yes.

Mr. STAM. Additional revenue.

Senator LODGE. All right.

The CHAIRMAN. You mean that is the liability under the 1942 tax?

Mr. BURGESS. That is right, that is the remainder.

Senator LODGE. I want to know how much money it will yield to the Treasury.

Mr. BURGESS. The tax on 1943 incomes would yield the same amount it would under existing law. The bills do not change the liability for 1943 calendar year incomes, they do change the liability for 1942 calendar year incomes. Now there would remain, after partial cancellation of the 1942 liability, a tax liability under the House bill of \$2,214,000,000; under the Ruml-Carlson bill, \$1,133,000,000; and under the Ways and Means Committee bill, \$4,780,000,000.

Senator LODGE. How does that compare with what is received under present law?

Mr. BURGESS. Under present law, \$9,451,000,000 would be received.

Senator LODGE. You are not reducing the rate but you are reducing the revenue \$7,000,000,000.

Mr. BURGESS. One has to consider the period over which that revenue is to be received. This is the liability which would be collected, but at different times under the different bills.

Senator LODGE. I am not asking that. That is not the question I am asking. I am more elementary than that. I am trying to find out what revenue will be received into the Treasury within any given period of time that you want to give me under any one of these four plans. That is all I want.

Mr. BURGESS. If you are speaking of the period from now until doomsday, that is one estimate.

Senator LODGE. No.

Mr. BURGESS. If you are referring to the coming fiscal year, or the coming calendar year, that is another thing.

Senator LODGE. Give it both ways.

Mr. BURGESS. I think we are in substantial agreement with the Treasury's estimates of the revenue effects as given in Mr. Paul's statement before the committee yesterday.

Senator LODGE. There were quite a few statements yesterday that I did not understand, that is why I am asking these rather simple questions this morning, so as to get it in a categorical, definite form that is clear.

Mr. BURGESS. Let us look at it this way: A scheme of current collection, completely current collection such as is envisioned under the Ways and Means Committee bill and under the Ruml-Carlson bill, would collect more revenue in any given period than would the House bill, so long as incomes continue to rise. The amount of that additional revenue to be received would represent the increase in the total upper-bracket liability from the first full year to the next.

Senator LODGE. Well, generally speaking, with rising incomes, the more current the taxpayers are kept, the more money the Treasury makes?

Mr. BURGESS. Yes; but that is merely an anticipation of revenue. When incomes turn downward the House bill would yield more revenue, because for part of the liability there is a lag in receipt in the Treasury.

Senator LODGE. They tax them on the way when they are well off and they have to pay it at a time when they are poor.

Mr. BURGESS. That is it.

Senator LODGE. Let us assume that there isn't any change in the trend of the revenue you get under these four different proposals.

Mr. BURGESS. Senator Lodge, at the moment we do not have these estimates on a collections basis, we have them only on a liability basis. I gave you the estimates of total liability under each of the four plans and will furnish for the record the estimates of the liability due in the fiscal year 1944.

(The information requested is as follows:)

Estimated income-tax liabilities due in the fiscal year 1944 under various alternatives

	<i>Amount</i>
House bill.....	\$13, 000, 000, 000
Ruml-Carlson bill.....	15, 263, 000, 000
Ways and Means Committee bill:	
(a) No discounts taken.....	15, 724, 000, 000
(b) Maximum discounts taken.....	18, 623, 000, 000
Present law.....	13, 000, 000, 000

Senator LODGE. I think it is very, very pertinent to know. You have got four tax schemes before you and it is pertinent to know which would yield the most revenue.

Mr. STAM. I think you are looking at it from the standpoint of, say, the next 2 or 3 years only.

Senator LODGE. Yes.

Mr. STAM. How much additional revenue we might get by going over to a current system in the next 2 or 3 years.

Senator LODGE. I would like to get it on three different assumptions: One assumption that the national income is going to go down; another assumption that it is going up; and another assumption that it is going to remain stable.

Senator JOHNSON. Mr. Chairman, I think I can give him the figures from the facts given us this morning. If we can assume 1943 to be exactly what 1942 was——

Senator LODGE. Let us assume that.

Senator JOHNSON. Under the House bill, under that assumption, the total collection would be \$11,665,000,000; under the Carlson plan the total would be \$10,574,000,000; and under the Ways and Means Committee bill the total would be \$14,231,000,000. That is, of course, assuming that the 1943 tax will be identical with the 1942 tax.

Senator BYRD. How does that compare with the collections under the present law?

Senator JOHNSON. The present law is \$9,451,000,000.

Senator LODGE. No matter what you do, we get more money as we become current.

Senator JOHNSON. Yes; we get more money as we become current under either one of the plans.

Senator LODGE. Under all conditions if the national income remains the same, and under all conditions if the national income goes up, under those two major assumptions?

Senator JOHNSON. Yes.

Senator DANAHER. Mr. Chairman, that is not strictly accurate, because what you are doing is confusing the amount of money that remains to be collected with the amount you actually will collect. If you define it as the amount of total liability, it would be different.

Senator JOHNSON. Yes.

Senator WALSH. The liability is reached, is it not, by adding the income from the taxes under the present law remaining for 1942 and 1943, then you take each of these plans and see what they yield and deduct that from these 2 tax years.

Mr. STAM. Everybody must admit under any plan which puts you on a current system, while the revenue goes up you will collect more revenue. We can get you the figures over a certain time, say 2 or 3 years, on a collection basis.

Senator LODGE. I would like to get what the yield under the different plans will be.

Senator BYRD. You say you are doing it, but you are reducing your tax liability.

Mr. STAM. When you collect currently on rising income you naturally bring income sooner on a collection basis.

Senator BYRD. At the same time you are reducing your tax.

Senator VANDENBERG. Have you any comments to make on the windfall section of the Ruml-Carlson plan, as to whether it is fair, whether it ought to be changed or not?

Mr. STAM. There are two windfall provisions.

Senator VANDENBERG. Yes.

Mr. STAM. The first windfall provision certainly seems to me to be very fair, because it makes the taxpayer pay on the larger year. In other words, if he had a big income in 1942 and a small income in 1943, he would have to pay on his 1942 income.

Senator VANDENBERG. That is easy. Now how about the other windfall?

Mr. STAM. The second windfall provision is somewhat in the nature of an individual excess-profits tax, like we have all been talking about for several years. In other words, the person whose income in 1940 was less than the income in 1942 or 1943 does not get quite as much of 1 year's liability forgiven. That is the effect of it, because he is regarded as having made an abnormal income, in excess of the 1940 income. By having an arbitrary rule like 1940 it might work

some hardship in certain cases, I can see that. It is designed to regard 1940 as a normal period and the income after that period as abnormal if it is in excess of the income for that period.

Senator VANDENBERG. Is it fair to assess a retroactive excess-profits tax against some portions of the tax laws?

Mr. STAM. It is not really a retroactive excess-profits tax. The effect of it is it just cuts down the amount of forgiveness. I mean that is the effect.

Senator VANDENBERG. By the same token you have to pay that much more?

Mr. STAM. That is right.

Senator DAVIS. I have just asked the expert here to give me the item of this windfall that makes up the 12 percent. He gives me these figures: The taxpayers pay the taxes on the high 2 years, 1942 and 1943, in the amount of \$456,000,000, and on the second item here, the additional tax on an unusual increased income over 1940 would be \$677,000,000. That makes up this 12-percent windfall.

Mr. STAM. That is right.

The CHAIRMAN. Mr. Stam, have you any comment to make on the suggested amendments to the withholding provisions of the bill submitted yesterday by the Treasury?

Mr. STAM. On the whole, I think they are very good amendments. There are some amendments to the withholding provisions that are not covered by those proposals, that we would like to bring to you a little later.

The CHAIRMAN. In executive session?

Mr. STAM. That is right.

The CHAIRMAN. All right.

Senator WALSH. The second windfall provision is based on the assumption that there were a considerable number of taxpayers in 1942 who have benefited by the war.

Mr. STAM. That is right.

Senator WALSH. And that their income in 1942, and a higher income in 1943, is in part contributed by the increased business due to war production, and therefore it is an attempt to levy a tax upon that increase that might not, and probably would not, have developed had we had normal conditions.

Mr. STAM. That is right. There were tables presented in the House by Chairman Vinson of the Naval Affairs Committee, which showed the large amount of fees received by brokers in connection with war contracts, and there were quite a large number of those fees received in 1941 by certain persons, and also in 1942.

Senator WALSH. And in some instances it could be shown there has been a substantial increase in the dividends paid by corporations that have done large Government work during these years.

Mr. STAM. That is right.

The CHAIRMAN. Mr. Stam, have you any comment to make now on the provision here with respect to the soldiers, the members of the armed forces, or do you wish to withhold that?

Mr. STAM. It discriminates against a married person. Only their base pay is subject to the income tax.

The CHAIRMAN. It is only the base pay?

Mr. STAM. It is only the base pay that goes into income. Now, in the other countries they do figure those amounts in computing income

tax. You might want to consider that phase of it when you are taking up the whole question.

Senator BARKLEY. May I ask you a question about a situation to which a Member of the Senate called my attention a day or two ago, which he said existed in his State to his personal knowledge? I do not know how many such cases there might be, but it is a situation where last year one man made \$5,000,000 out of war contracts. Well, of course, the question arose of whether or not he had enough money or whether he should continue in business for the year 1943. He might decide he did not need any more money, he was not going to make any more, he would just quit, and so he put his \$5,000,000 in a locked box, put it into a bank, so he would not have any income at all, so he would not have any estimated income under the plan of this bill for 1943. While it has been contended here that nobody gets any actual money back, in a case like that he would get his 100-percent forgiveness back, or 75 percent or 50 percent, whatever it might be, if he had no income for 1943 to which credit could be given for the payment of taxes on 1942 income.

Mr. STAM. He would not under the windfall provision that we have just been talking about, because he has to pay on the higher year.

Senator BARKLEY. He would not pay all of it. Take the \$5,000,000 case, would he pay the same tax on this \$5,000,000 which he would have paid if we did not consider this bill at all?

Mr. STAM. He would under the Carlson plan, because they had a windfall provision in there which would require him to pay the tax on the higher year, and therefore he would pay on that \$5,000,000. He would pay about \$4,374,000.

Senator BARKLEY. He would have left then about \$600,000.

Mr. STAM. That is right.

Senator BARKLEY. If he pursued that course and even decided that the reduced amount was all the money he needed, he did not desire to make any more but just cashed out, would he have to pay any tax in 1943?

Mr. STAM. He would not pay any tax on 1943 because he did not have any income, but he would pay on his 1942 liability.

Senator BARKLEY. That would be the same in any case anyhow. As long as he chose to impound his money, whatever the amount might be, and not invest it or get any income upon it, he would still pay no taxes on it.

Senator CLARK. That would be true under the existing law.

Senator JOHNSON. How does the withholding plan, or any of these other plans, affect the Victory tax, if any?

Mr. STAM. How does it affect the Victory tax?

Senator JOHNSON. Yes.

Mr. STAM. It does not affect the Victory tax as such. The Victory tax is 5 percent in excess of \$624, but we only withhold 3 percent for the Victory tax. That is what we call the net Victory tax. In order to avoid refunds when the taxpayer files his final return at the end of the year it was thought better to withhold on a net basis instead of on a gross basis, so we withhold 3 percent instead of 5 percent. When the taxpayer files his final return in March of the next year, he computes his Victory tax at 5 percent and takes credit on that for the current credit of debt, insurance, and Government bonds. Now, if he does not have those, there will be some deficiency due to the Government, but it is thought, from the administrative standpoint,

it will be much easier to collect on a net basis rather than on a gross basis and have the taxpayer make up the additional amount at the end of the year.

Senator BYRD. The taxpayer still has to make a return under both bases?

Mr. STAM. The taxpayer has to make a return under both bases. He gets credit off for debt, or bond purchases that he may make.

Senator BYRD. Why could not the Victory tax be absorbed in the regular income tax?

Mr. STAM. Well, the Victory tax is on one basis and the income tax is on another basis.

Senator BYRD. That is my objection to it.

Mr. STAM. The only way you could absorb it would be to lower the exemptions and increase the rates of the income tax. There are 12,000,000 taxpayers in this group, between \$624 and \$1,200, that are now paying a considerable amount to the Government (over \$350,000,000). A lot of those taxpayers would be relieved of tax, because I do not believe you would be able to reduce the exemptions down to anything like the limit of the Victory tax.

Senator BYRD. Don't you think this withholding of 3 percent of the Victory tax, that has to be then credited to the 5 percent in the return that they later make up is going to be very confusing and will not be possible of enforcement?

Mr. STAM. I do not believe so. We have not had any experience under that yet, because the first returns have not been filed on the Victory tax. They are not due before March 15, 1944.

Senator BYRD. I understand that. I am speaking about the withholding tax that the taxpayer has arbitrarily taken from him.

Mr. STAM. The employer knows from the tables the exact amount to be withheld.

Senator BYRD. The employer does, but next year he has got to make a return, he is supposed to take 3 percent off and pay on another tax 2 percent.

Mr. STAM. He computes his 5 percent on his Victory tax net income. Against his Victory tax net income, he gets a credit for debts, bonds, insurance, and so forth, and then for the balance he gets credit for the amount of tax withheld at the source, and then if there is any excess it is applied against his regular income tax.

Senator BYRD. It changes from one to another with different rates.

Senator BARKLEY. Let me ask one more question about the case which I cited. Under the House bill and under the committee bill there is no windfall provision, I believe?

Mr. STAM. That is right.

Senator BARKLEY. In that case, if that man had no income in 1943, he would get an actual forgiveness in money.

Mr. STAM. He would get some reduction.

Senator BARKLEY. If he had paid his tax by March 15 of this year he would get an actual refund in dollars and cents?

Mr. STAM. Yes, he would, if he had nothing else to credit it against.

Senator BARKLEY. If he had no income at all for this year he would not have anything to credit it against, and therefore the Treasury would have to return the excess money that he had paid.

Mr. STAM. Under the Ways and Means Committee bill he would get about 10 percent reduction of that tax. That is what it amounts to.

Senator BARKLEY. What would he get under the House bill?

Mr. STAM. Under the House bill he would get about 19 percent.

Senator MILLIKIN. Mr. Stam, are there any windfall cases or windfall circumstances that we ought to be thinking about other than those that have been mentioned here?

Mr. STAM. I do not recall any. Of course, there is a question whether or not 1940 is a proper year, or 1941, or some other year.

Senator MILLIKIN. Are there any circumstances that have not been covered by discussion that might represent an inequitable windfall that we have not thought about?

Mr. STAM. No; except some people, of course, feel that the cancelation of the 1942 liability is a windfall.

Senator MILLIKIN. We will pass that. That goes to the basic theory of the whole thing.

Senator LODGE. Have you concluded, Senator?

Senator MILLIKIN. Yes.

Senator LODGE. Mr. Stam, is "cancelation" a correct word? Is "forgiveness" a correct word? Isn't it better to say "postponement"?

Mr. STAM. I think "cancelation," from a purely technical standpoint, is a correct word, because you have got to do something about this assessment that is on the books, you have got to remove it. It is outstanding and you have to eliminate or cancel it.

Senator LODGE. If you just limit your vision to one year, but not if you took a total view.

Mr. STAM. That liability is outstanding. It has been assessed for the year 1942.

Senator LODGE. If you take the bookkeeping approach on a yearly basis, but if you go at it from the standpoint that you live by, that you feed your children on, those things, there is no cancelation at all, is there?

Mr. STAM. If the person hasn't saved any money to pay his taxes, he hasn't anything to gain.

Senator LODGE. "Postpone" rather than "forgive." I looked the word "forgive" up in the dictionary. It means to pardon a wrong. I cannot see where the Government is in a position to pardon the wrongs of the American people; I think it is rather the reverse, as a matter of fact, to my mind. I am coming to the conclusion it is a smear term. I cannot see it. Why isn't it better to say "postponing" instead of "forgiving"?

Mr. STAM. You do not postpone a gift.

Senator LODGE. What gift? We are postponing the payment of the tax.

Mr. STAM. I think certainly some benefit does accrue to the taxpayer when he dies. Everybody admits that. He has some advantage when his income declines or when he has saved an amount to pay his taxes.

Senator LODGE. When he is dead he has an advantage?

Mr. STAM. I mean as far as his estate is concerned, there is an advantage.

Senator BARKLEY. "Forego" might be better than "forgive."

Senator LA FOLLETTE. If it has accumulated as a 1942 liability he has something tangible under his control that he can use as he pleases.

Senator LUCAS. Mr. Chairman, may I ask Mr. Stam one question?

The CHAIRMAN. Yes, Senator.

Senator LUCAS. Take the House bill, Mr. Stam, where you say the amount of liability canceled is \$7,237,000,000, the table on page 19, as I understand, that \$7,237,000,000 is going to be lost to the Government over a long period of time. Am I correct in that?

Mr. STAM. I think that is certainly true; but suppose we had a recession, the loss would be felt much sooner.

Senator LUCAS. I do not know as I follow you, but it seems to me—and I want to be corrected if I am wrong—you say you have got to cancel, if you got the House bill, \$7,237,000,000. That is correct; is it?

Mr. STAM. That is right.

Senator LUCAS. Now you add to the current tax bill \$2,214,000,000? You will add that much to it?

Mr. STAM. That is right.

Senator LUCAS. Everybody will continue to pay taxes as long as they live.

Mr. STAM. That is right.

Senator LUCAS. Your \$7,237,000,000 will be canceled over a long period of time, depending on when the taxpayer dies.

Mr. STAM. It may be when his income declines, I mean when his income goes down, and then of course the Government does not get as much out of him as if it were collecting his liability for the prior years.

Senator LUCAS. If the taxpayer should die in 15 years from now, and the income was less than it was this year, then the Government would get less?

Mr. STAM. That is right; then the loss would be felt.

Senator CLARK. Mr. Stam, coming back to this Canadian theory that you mentioned here a minute ago, making a distinction between earned income and income from other sources such as capital, and applying that to our own situation, it is a fact, is it not, that in the highest brackets, that is to say, incomes above \$100,000, the amount of income derived from sources other than earned income is very much larger than the amount derived from earned income?

Mr. STAM. I do not think there is any question about that?

Senator CLARK. I have some figures for 1941. I would be glad to have you check them and tell me whether they are correct or not. I haven't the figures available for 1942. These figures indicate for the 44 taxpayers in 1941 who paid on incomes of over \$1,000,000 only \$4,500,000 was earned income and \$97,000,000 was from sources other than earned income.

As to incomes over \$100,000 and less than \$150,000 the earned income was \$160,400,000 and the unearned income was \$195,000,000.

In the case of \$150,000 and under \$300,000, the earned income was \$125,000,000 as against \$220,000,000 of unearned income.

On \$300,000 and under \$500,000 the earned income was only \$36,000,000 while the unearned income was \$114,000,000.

On \$500,000 and under \$1,000,000 the earned income was only \$14,400,000, while the unearned income was \$101,900,000, more than 7 times as much.

On incomes of \$1,000,000 and over, as I say, the earned income was \$4,500,000 and the unearned income, so to speak, was \$96,900,000. So there is some logical basis for the distinction that is made in Canada.

Mr. STAM. Yes.

Senator CLARK. You treat all the taxpayers alike, but you simply make a difference as to the source of the income.

Senator WALSH. What figures do you begin with?

Senator CLARK. I begin with \$100,000.

Senator WALSH. You do not have the figures under \$100,000?

Senator CLARK. No.

Mr. STAM. When you get up into the very high incomes there really is not so much basis for distinguishing between earned and investment income. If you recall, we have in the revenue law at the present time a limitation on earned income. I know there was a proposal over in the House, that was talked about but that really did not reach a definite form, of making a distinction between earned income and unearned income. In other words, in the case of earned income they were going to abate 75 percent of the tax. In defining the earned income everything up to \$20,000 that was actually earned was regarded as earned income, and the amounts above that were regarded as unearned income, and with respect to unearned income they wanted to abate only 50 percent of the tax.

Senator CLARK. I am not advocating the adoption of the Canadian theory, but it seems to me it is a much more logical theory if any distinction is to be made. They have an arbitrary way of saying, "We will cancel and postpone all incomes below a certain amount and soak everybody above a certain amount." In other words, the distinction as to source, it seems to me, is a much more logical distinction than purely the distinction as to amount.

Senator CONNALLY. Mr. Stam, let me ask you a general question. The whole motive behind all this current tax liability is supposedly to get revenue out of a lot of taxpayers that have not been paying taxes very largely heretofore. The theory does not carry water that they will not be able to pay. They will pay and spend their money on taxes rather than on other things; isn't that true?

Mr. STAM. That is true.

Senator CONNALLY. In order to get taxes out of that group these plans propose to relinquish about three or four times as much money in the higher brackets, in the higher incomes, than they can possibly get out of that whole group. Isn't that true?

Mr. STAM. I do not think so.

Senator CONNALLY. You give away \$7,000,000.

Mr. STAM. We are looking at this thing somewhat from a long-range point of view.

Senator CONNALLY. Yes; I know you are looking at it from a long-range point of view. In most cases people in ordinary circumstances have the money to pay. I do not see where it makes a particle of difference. We might think it does, but I know it does not make a particle of difference to me whether I pay under the present system or whether I pay currently; I know I am going to have to pay it. These taxpayers we have in mind are going to make changes in their old methods and they are going to make a provision for holding out something with which to pay, like everybody else pays it. We would have no difficulty at all. Isn't it a pretty good way to teach people to pay their obligations, to pay their taxes, to make them do it by starting on this thing? We are assuming these folks are so helpless, so ignorant, so indifferent that in order to make it possible for them to do it we have to give them something, that we will come along and do it for them. If you could devise some method by leaving the taxes as they are and provide a system whereby the taxes can be paid by the month it would help a lot in this whole tax situation.

Senator JOHNSON. The withholding of taxes, doesn't that put it on a current basis?

Senator CONNALLY. No, no. With the exception of the modification, the withholding taxes are credited on their final return. It would meet the situation much better than just handing out \$7,000,000,000 or \$8,000,000,000 in order to make some fellow think that he is paying the taxes currently. That is just psychology, \$7,000,000,000 worth of psychology.

Mr. STAM. A plan along those lines was originally presented to the House, which merely had the withholding method on salaries and wages and required the amount withheld to be applied against the taxpayer's current liability. For example, if we started this withholding provision on July 1, 1942, and we started collecting taxes in July, under that system the taxpayer would be allowed to credit the amount withheld at the source against the installments of his 1942 taxes, which are due in September and December of this year, and any excess would be applied against their 1943 taxes.

Senator CONNALLY. If you had that kind of system you would avoid all this business about estimating ahead. Nobody knows what his income actually is going to be. If he makes a mistake he is penalized, and all that sort of business. I hope somebody can work out a plan along that line.

Senator BARKLEY. Let me ask you this: Do you agree with the statement made yesterday, I think by Mr. Paul, that to the extent to which the Treasury loses money under any of these plans, if we make it up at all we have got to make it up out of the middle- and lower-income brackets. Do you agree that so far as the high-income brackets are concerned we have gone pretty well as far as we can go, and not only that but we have to make up a deficit of three or four or seven billions, whatever it is, because of any of these plans, and in addition to that try to raise \$16,000,000,000 more, or any part of it, and that we have got to largely try to raise it from people who belong to the ordinary walks of life and in the middle and lower brackets?

Mr. STAM. I think that is true. Of course, we have got a ceiling now on incomes of 90 percent. The tax in no case can exceed 90 percent of the income. Those in the upper brackets, unless we were to raise the ceiling, we could not get any more out of.

Senator BARKLEY. That is a pretty effective ceiling, 90 percent.

Mr. STAM. Yes.

Senator LODGE. Mr. Chairman, I am advised that during the fiscal year 1944 the yield from these various alternatives would be as follows: the House bill \$13,000,000,000; the present law \$13,000,000,000; the Ruml-Carlson bill \$15,263,000,000. Those figures would lead the average man to the conclusion that the Ruml-Carlson bill will get us the largest amount of revenue for the Government and put the largest number of taxpayers current in the shortest space of time. Is not that correct, Mr. Stam?

Mr. STAM. For that particular year. Of course you have not the figures for the Ways and Means Committee bill. That bill would yield more than that.

Senator LODGE. The Ways and Means Committee bill, with no discount, \$15,000,000,000, and with a maximum discount, \$18,000,000,000.

Mr. STAM. You see under the House bill, as we pointed out, as far as the upper level is concerned, you do not get the benefit of the increased income in the current year, because you are not collecting that currently, you are collecting that with respect to the back year's income.

Senator LODGE. This is taking it for the fiscal year 1944, and the Ruml-Carlson bill would yield the greatest amount of revenue and would get the largest number of taxpayers current in the quickest space of time.

Of the three plans the House bill would yield less revenue than either the Ruml-Carlson bill or the Ways and Means Committee bill?

Mr. STAM. That is right.

Senator LUCAS. How do you square that with your table on page 19, where you show the House bill would leave a tax liability remaining of \$2,214,000,000 and \$1,133,000,000 under the Ruml-Carlson bill?

Mr. STAM. He is talking about the collection basis, how much you are going to collect in this fiscal year. These figures you are quoting are on a liability basis, that is the amount of tax imposed for that year. You do not always collect in a certain fiscal year the amount of tax imposed.

The CHAIRMAN. Are there any further questions, gentlemen? If not, I would like to offer for the record a lengthy telegram from the Boeing Aircraft Co., Consolidated Vultee Aircraft Corporation, Douglas Aircraft Co., Lockheed Aircraft Corporation, North American Aviation, Inc., Northrop Aircraft, Inc., Ryan Aeronautical Co., and the Vega Aircraft Corporation, with reference to the provisions of the bill that relate to collecting at the source or withholding. They are in line with the recommendations made yesterday, or the suggestions made yesterday by the Treasury.

(The telegram referred to is as follows:)

Senator WALTER F. GEORGE,

*Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR GEORGE: Reference is made to pending pay-as-you-go legislation, and particularly to the technical provisions for withholding of tax by employers. The following aircraft manufacturing companies: Boeing, Consolidated Vultee, Douglas, Lockheed, North American, Northrop, Ryan, Vega, have studied these provisions with considerable care and have certain suggestions which, if adopted, would simplify the procedure provided:

These companies together employ a total of approximately 450,000 employees. They represent 60 percent of the airplane production of the United States. Due to our rapid growth and present large number of employees, we have serious problems with respect to the mechanics of preparing our pay rolls. Our work is done entirely through the use of automatic business machine equipment. At the present time we are experiencing serious difficulties both with respect to obtaining prompt delivery of adequate equipment and in maintaining an adequate staff of competent operators.

We recognize the necessity for establishing a system for withholding of tax by employers and are prepared to carry our share of the burden. Certain changes which may be made in the bill as passed by the House would expedite war production through simplification of the mechanics of withholding. Your consideration of these suggestions will be greatly appreciated.

(1) Discretion in Commissioner of Internal Revenue to permit reasonable methods of computing withheld tax. The bill, in its present form, provides two optional methods of computing the tax to be withheld. A. An exact mathematically accurate computation of the percentages, or B, the use of tables setting forth wage bands and amounts of tax to be withheld.

We find that, in view of our shortage of equipment and operators, we must perform these operations with the maximum efficiency. Neither of the specified optional methods permits all of us to perform the operations with maximum efficiency. This is because we can save large amounts of time by combining the operations which will be required by the bill with other operations we must already perform. These other operations are required in order to make other deductions from wages, including those for Social Security and unemployment tax purposes. We cannot describe a specific alternative method which would permit the maximum simplicity, because the problems of the various companies here represented vary, depending upon their respective accounting methods and business machine procedures.

We believe that it would be entirely reasonable and satisfactory if the Commissioner in Internal Revenue were given authority to grant approval of a specific tax withholding technique or method proposed by any employer. To give the Commissioner reasonable guidance in administering such discretion, it might be provided that such methods should not vary by more than a reasonable percentage (perhaps 10 percent), from an exact mathematical computation in the case of any employee. (The tables now set forth in the bill, of course, provide a substantial variation from mathematical computation.) We believe that the Commissioner would administer such a discretion reasonably, and that the flexibility which would thus be provided would permit us to administer the withholdings of tax with maximum efficiency.

(2) A single rate of withholdings is desirable. The House bill provides for two effective rates of withholding tax. A new 17 percent rate is applied upon wages in excess of personal exemptions and credit for dependents, as specified. In addition, the Victory tax is continued to the extent of 3 percent upon all wages exceeding \$624 per year. We believe that this combination of dual rates is unnecessary and substantially complicates the task of employers. In some instances it may require two complete operations, instead of one, and in any event a more simple system for withholding tax can be applied if a single rate of withholding tax is provided, allowing combinations with Social Security and other computations already required. We recommend, therefore, that the policy be changed in this respect in the interests of simplicity, and that a single rate or tax be applied to a single base. Presumably in excess of personal exemption and credit for dependents. Not only would this simplify our task, but it would be easier for employer and the public to understand.

(3) Revision of personal exemption and credit for dependents to exact multiple units. The proposed bill continues, for determining the portion of wages subject to withholding of tax, the present personal exemptions and credit for dependents. These are \$1,200 in the case of married persons or heads of families, \$500 in the case of single persons, and \$350 for each dependent. For all large employers who use automatic business machine equipment for pay rolls, the task of computing amounts of tax to be withheld would be substantially simplified if these amounts could be changed to amounts which are exact multiples. Furthermore, elimination of the optional \$600 exemption withholding deduction for married persons would be very helpful. A schedule, such as the following, would accomplish this result. Single persons \$624, married persons \$1,248, credit for dependents \$312.

The effect of such a change is substantially to reduce the number of groups of employees with respect to which the same withholding deduction applies. Most business machine operations are carried on through sorting of cards into groups. By reducing the number of groups, the time required for operation is likewise reduced, with a cumulative saving during the year to large employers of vast amounts of time of equipment and personnel. We heartily recommend that your committee consider such a change.

(4) Longer period for furnishing annual receipts. The bill requires that receipts be furnished to each employee in respect of his employment during the calendar year on or before January 31 of the succeeding year and that copies shall be furnished to the Commissioner. It will be impossible in many instances to complete preparation of these receipts within 31 days after the end of the year and, even though they are completed in that time, they will be highly inaccurate. It must be realized that some of our companies have many thousands of employees in other parts of the United States, and the physical job of obtaining year-end data and transmitting it to our home offices is an extensive one.

Furthermore, during this same period it is necessary for us to prepare State unemployment tax reports and Social Security reports. In addition, the year-end closing of the book consumes a large amount of the time of tabulating equipment since a large proportion of our records are kept by that means.

For the foregoing reasons it would appear most desirable to change the due date on receipts from January 31 to February 15, the date now prescribed for filing Form 1099's, which are more simple to prepare than the form provided in the section referred to. Furthermore, we recommend that the Commissioner be given authority to extend this time for an additional 15 days upon a proper showing.

(5) Thirty days required to place system in effect. The House bill provides for the withholding system to be placed in effect July 1. Due to the delays which have occurred this date is now not far away. The procedure which will be required of employers to place the system in effect is very expensive and will require a large amount of work in gathering data from employees, preparing suitable records, and rearranging the use of equipment. It is absolutely essential that employers be allowed a minimum of 30 days after actual passage of the bill within which to place the system in effect. If your committee determines, therefore, that the bill cannot become law prior to June 1, we respectfully request that the commencement date for withholding be postponed to a date later than July 1, otherwise a chaotic and unfortunate situation will arise at the crucial time when the system is being placed in effect.

In conclusion, we wish to reemphasize that, due to shortages of equipment and personnel, we are faced with very serious problems in performing the operations necessary to prepare our pay rolls and pay our employees. It is obvious that war production will be seriously impeded if pay rolls are not promptly and efficiently met by employers. The imposition of an unnecessarily burdensome system for withholding tax may actually interfere with our meeting pay rolls as expected by our employees. While the matters of procedure discussed herein appear perhaps not to be of great importance, actually they may have a very important effect upon our ability to meet our pay rolls promptly, and we respectfully request that they be given careful attention by the Finance Committee.

Very truly yours,

Boeing Aircraft Co., Consolidated Vultee Aircraft Corporation,
Douglas Aircraft Co., Lockheed Aircraft Corporation, North
American Aviation, Inc., Northrop Aircraft, Inc., Ryan Aero-
nautical Co., Vega Aircraft Corporation.

(Tax plan submitted by Royal C. Stephens, Philadelphia, Pa.:)

PHILADELPHIA, PA., May 6, 1943

Senator WALTER F. GEORGE,

Chairman Committee on Finance,
Washington, D. C.

HONORABLE SIR: As a humble American citizen I desire to submit a tax plan for your consideration that will save the members of your committee and the members of both Houses of Congress both time and a lot of headaches, make the tax law understandable to all taxpayers, likewise make it easy for the Treasury Department to collect all of 1942 and 1943 taxes and at the same time create more confidence in the minds of American citizens in the soundness of the financial structure of the United States Government.

In the Revenue Act, write the following provisions:

"A taxpayer on 1942 taxes must before March 1943 file his income statement and at the time of filing his income statement, arrange to pay his quarterly installment, or make a token payment of five or ten dollars on his quarterly installment on his 1942 taxes by deduction from his pay, one to five or more dollar payments, as he may elect to choose of the three following ways:

1. Pay the balance of his 1942 taxes in full and receive a 10 percent discount; or
2. Pay the balance of his 1942 taxes in quarterly installment and receive a 10 percent discount; or
3. Make a five- or ten-dollar token payment when he files his income statement and then at the same time arrange to pay the balance of his 1942 taxes in small installments of one to five or more dollars to be deducted from his pay checks, choosing one to five years to complete paying the balance of his 1942 taxes, with no interest charges against his 1942 taxes. Allow this small taxpayer a 10-percent discount on his 1942 taxes if he completes his final payment of his 1942 taxes within 1 year of his token payment. In the event the taxpayer later earns less money, finds his payments are too heavy for him to make, the taxpayer can rearrange with the Treasury Department to pay the remainder of his 1942 taxes in smaller payments without interest charges.

4. Provide in the Revenue Act that the 20 percent withholding tax on wages and salaries for 1943 in addition to the 1942 taxes, be deducted at the source in the same way as the Victory tax is now being collected for 1943.

Mr. Ruml deserves credit for his efforts to create public opinion towards the pay-as-you-go idea for paying taxes for 1943, but neither the Federal Government, nor the 48 State Governments, nor the political subdivisions of any state, nor the Macy Department Store of New York, nor any of the various labor and business organizations and newspapers that have urged your committee to forgive the 1942 taxes can afford to, or would agree to forgive any obligation due them for 1942.

The Ruml idea of forgiving the 1942 taxes is dangerous to our entire Government and private financial system in the following way:

A. It would raise an army of taxpayers who would be demanding that the entire national debt be repudiated on the ground it was too big a burden to bear, and the same demands be made by taxpayers in arrears in payments of taxes to both States and political subdivisions of a State.

B. It would throw a wet blanket over all American citizens in their desire to buy Government bonds.

C. It would create a black financial plague in our private financial system by creating in the minds of our citizens a desire to request that their private loans or obligations made in 1942 be forgiven, saying Ruml's tax plan gave them the idea to make the request.

D. Foreign citizens and foreign governments would give the Ruml tax plan as a reason for requesting their financial debts to both American citizens and the United States Government be forgiven.

E. It would prevent the new taxpayers from forming the habit of saving their money for a rainy day.

F. It would encourage the war workers to spend their earnings now and thus increase the fear of inflation; also work against the drive of the Government against inflation.

G. It would allow war production plants working on a cost-plus or agreement where pay rolls have been padded, and costly and scarce materials wasted to cash in on their illegal and un-American profits.

H. It would create in the minds of public employees and private citizens who have received their positions or some favor from the influence of Democratic or Republican official, or party leader to say, all our past political obligations, both financial and otherwise are now forgiven and we will start now on a pay-as-you-go basis for any political favors we shall ask for or receive from Democrats or Republicans.

I. It would allow citizens from foreign countries who have large investments in American war plants and other American business who made big profits in 1942 in the United States to force American citizens to assume the added burden of paying the taxes of foreign investors in United States.

J. It might create a desire in the minds of American people and the public officials to forget all agreements or commitments made in 1942 by the President and the State Department, also other Federal, State, county, and local government leaders and start a new beginning on January 1, 1943.

Mr. Chairman, I urge your committee to see that all Victory taxpayers under the 1942 Revenue Act are treated alike as provided under the Constitution, by offering an amendment to the Current Tax Payment Act of 1943 by amending the Revenue Act of 1942 in the following way:

"All Victory tax money deducted for wages earned before January 1, 1943, under the Treasury's ruling on section 476g be returned to the taxpayer with as little delay as possible.

"The effect of this amendment to the Revenue Act of 1942 will make all those Victory taxpayers drop their bitter feeling against a tax law that made them pay a Victory tax on their wages earned before January 1, 1943, just because they did not receive pay for those December wages until after January 1, 1943, will place them in the same position as all other taxpayers who were paid in full for December wages before January 1, 1943, who in keeping with Section 450 of the Victory tax provision which says the Victory tax shall be levied, collected, and paid on wages earned after December 31, 1942, did not have the Victory tax deducted from their December wages."

NOTE.—The Treasury Department would lose money on the bookkeeping on the Victory tax collected on the December wages and would also create ill will among taxpayers about to have a heavy tax placed upon them.

Mr. Chairman write a provision in the 1943 Revenue Act to require the Federal Government to furnish all their employees a statement as to the amount and what the tax is for in each pay check the same as a private employer is required to do.

Yours for treating all taxpayers in the same way.

ROYAL C. STEPHENS.

(Letter and statement submitted by National Lawyers Guild:)

NATIONAL LAWYERS GUILD,
NEW YORK CITY, May 6, 1943.

HON. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR MR. CHAIRMAN: In view of the limited hearings planned by your committee on pay-as-you-go tax legislation, we are submitting the enclosed statement setting forth the views of the National Lawyers Guild with respect to this important subject.

We respectfully request that said statement be inserted in the record of the committee hearings.

We shall appreciate receiving a copy of the unrevised committee print of the transcript of the record as these become available.

Respectfully,

MARTIN POPPER,
National Executive Secretary.

STATEMENT OF THE NATIONAL COMMITTEE ON TAXATION OF THE NATIONAL
LAWYERS GUILD ON PAY-AS-YOU-GO LEGISLATION

After careful study of the various bills introduced in Congress to place personal income-tax payments on a current, pay-as-you-earn basis, the National Lawyers Guild is convinced that there is only one equitable means of immediately achieving this highly desirable tax reform, namely, by adopting the Doughton plan. The Doughton plan, designed as a compromise measure, avoids the unwarranted windfalls which characterize the Ruml-Carlson plan and, to a lesser extent, the Robertson-Forand plan, adopted by the House.

In this critical time in our Nation's struggle for existence, at a time when every effort must be made to raise all the revenue the economy can properly bear, it is nothing less than a travesty to bestow undeserved windfalls in the form of tax cancellation. It is incredible, yet tragically true, that there are forces in Congress which clamor for forgiveness of nearly 10 billion in taxes in the face of the President's request that Congress raise an additional 16 billion. Those forces behind the Ruml-Carlson bill which are now proposing to cancel nearly 10 billion in taxes are the same forces which voted for the recent nullification of President Roosevelt's order limiting gross salaries to \$67,200, and are the same forces which clamor for wage-freezing and heavy sales taxes—in reckless disregard of the detrimental effect on the war effort.

The argument now being raised that a plan is inequitable unless it cancels the same percentage of 1942 tax for each income level involves the grossest distortion of the equitable principle of ability to pay, a principle which requires that the tax burden increase progressively as the income level increases and that conversely, tax cancellation should decrease as the income level increases because of the diminishing need for relief from doubling up.

To solve the difficult problem of transition from the current year-behind collection system, the National Lawyers Guild has at all times urged that cancellation to afford relief from double payment should be based on actual need and must avoid unwarranted windfalls. The guild still believes its proposal to cancel the tax on the first \$2,000 of 1942 after exemptions is the soundest solution to the problem of transition. This would wipe out entirely the 1942 taxes of single persons with incomes under \$2,750, of married persons with two dependents with incomes under \$4,500. The essence of the guild plan was only very recently adopted by the New York Times (editorials of April 19, 23) which suggested as a compromise that Congress forgive "the tax on, say, the first \$5,000 of income of every taxpayer for 1942." The guild plan would, in fact, put 90 percent of the taxpayers on a current basis since only 10 percent of the 44,000,000 taxpayers will have incomes which exceed the first surtax bracket of \$2,000.

Of all the tax bills which have been considered by Congress, the Doughton bill alone approaches the tests of sound pay-as-you-go legislation and therefore deserves the support of the American people—in the absence of a bill limiting cancellation to the lower incomes.

In essence, the Doughton plan provides that the tax on 1942 incomes shall be recomputed by applying the 1941 rates and 1941 exemptions of \$750 and \$1,500 instead of the higher 1942 rates and the 1942 exemptions of \$500 and \$1,200—and canceling the difference. The Doughton plan would thus cancel the entire 1942

tax for 7,000,000, new taxpayers at the bottom of the income scale and substantially reduce the 1942 tax for the great bulk of the remaining taxpayers. For a married person with no dependents, the tax reduction on a \$2,500 net income is 63 percent of the 1942 tax; at \$5,000, it is 52 percent; at \$10,000, it is 40 percent; at \$25,000, it is 26 percent; at \$100,000, it is 18 percent; and at \$1,000,000, it is 14 percent. Relief would thereby be given in proportion to need, since the taxpayers in the lower brackets are in need of the greatest relief. The Doughton plan is thus in striking contrast to the Ruml-Carlson plan which would cancel 100 percent of 1 year's tax liability, even though the taxpayers had a very large income and had no need for cancellation-relief.

The Doughton bill would cancel \$4,671,600,000 of the aggregate 1942 tax liability of \$9,451,300,000 which remain after taking into account the reduction due to special exemptive provisions for the armed forces. The remaining \$4,779,700,000 would be collected over the period from 1944 to 1946, thus providing \$1,593,200,000 a year in added revenues from ability-to-pay sources—while the Ruml-Carlson and Robertson-Forand plans make no such additions. In view of the provisions for discounts for earlier payments, income tax collections in 1944 and 1945 would be even greater because of accelerated payment. The partial doubling up provided in the Doughton bill would impose no real hardship on anyone since the reduced 1942 tax would be payable in installments over a 3-year period (1944-46) and an additional 36 months' extension could be obtained in cases of undue hardship in meeting these installments. The Doughton bill has been assailed on the ground that taxpayers with incomes beginning around \$250,000 would be called upon to make payments in excess of their incomes. This argument conveniently overlooks the balance of the 1942 income which the large income recipient has after his living expenses. This balance, which is the bulk of the large income taxpayer's 1942 income, is in the form of savings, purchases of tax-anticipation certificates, or investments—earmarked for the payment of 1942 tax obligations. These reserves, quite obviously, are more than enough to take care of the reduced 1942 tax which leaves the 1944 income, for example, to take care of the tax liability on 1944 income without any hardship. Thus, a taxpayer with an annual net income of \$500,000 in each of the 5 years, 1942, 1943, 1944, 1945, 1946, would pay, under the Doughton bill, \$440,747 in 1943 and \$555,878 (which includes the one-third installment of \$115,131 on the 1942 tax) during each of the years 1944, 1945, 1946. Thus, a total tax of \$2,108,381 would be payable on the 5-year income of \$2,500,000—or only 84 percent of the aggregate income. The large income recipient, it must be remembered, retains the savings on his 1942 income which are available for tax payments, in addition to his income received in subsequent years.

The attached table showing the amount of tax canceled at specified levels of net income under the Doughton, Forand, and Carlson bills respectively, indicates clearly the excessive windfalls granted under the Carlson bill and, to a lesser extent, the Forand bill, which cancels 19 percent of all taxable income, whether that income was \$2,000 or \$1,000,000. This table shows that under the Doughton, Forand, and Carlson bills, respectively, for a married person with no dependents the tax reduction on a \$5,000 net income is \$389, \$692, and \$746; at the \$25,000 level it is \$2,396, \$4,438, and \$9,220; at the \$100,000 level it is \$11,472, \$18,688, and \$64,660; and at the \$1,000,000 level it is \$121,126, \$189,688 and \$854,000.

Cancellation beyond the levels set by the Doughton bill is intolerable, and would grossly violate the basic principle of ability to pay. Relief from doubling up is needed by the taxpayer in the lower bracket and not by the upper-bracket taxpayer who has made provision to meet the tax liability on 1942 income either by the accumulation of savings or by the purchase of tax-anticipation certificates.

The Ruml-Carlson bill, which would distribute benefits in inverse ratio to need, is particularly objectionable because it would constitute the grossest violation of the principle of ability to pay. It is extremely inequitable because it would shift the tax burden from the few at the upper end of the income scale to the many at the middle and lower end. Since war contractors have been realizing unprecedented profits since 1942, the Ruml-Carlson bill would in effect be exempting war profits from their just share of taxation. Not content with nullifying the President's order limiting gross salaries to \$67,200, the same forces would nullify the tax increases imposed in the last 3 years to finance the war, wiping out 102 percent of these tax increases at the \$100,000 level, and 320 percent at the \$1,000,000 level.

In view of the nation's revenue needs and in view of the inequitable windfalls permitted under the Ruml-Carlson plan and to a lesser extent, under the Robertson-Forand bill, the Congress should reject these plans and adopt the Doughton

plan as the most equitable plan for achieving a current pay-as-you-earn income-tax-collection system. To prevent undue hardships, the "Victory tax" should be repealed and the 1941 personal exemptions of \$750 and \$1,500 should be restored. These revisions would place the Federal income tax on a more equitable basis, enhance morale and speed the day of the unconditional surrender of the enemies of all humanity.

(Letter submitted by the Military Order of the Liberty Bell:)

THE MILITARY ORDER OF THE LIBERTY BELL.

Cowart, Va., May 8, 1943.

HON. WALTER F. GEORGE,

Chairman, Committee on Finance,

United States Senate, Washington, D. C.

MY DEAR SENATOR: This is to request permission to be heard in the hearings on the tax bill or in lieu thereof that this letter be made a part of the record of proceedings.

The bill, as coming from the House, provides exemption of the pay of the men of the services. With that we are in accord but we desire to urge similar exemption be extended to the retired pay of men on the retired rolls.

It is pointed out that at this time exemption is provided for pensions and compensation. Retirement, though handled in a different manner, is fundamentally the same as pension. Both are grounded in the proposition that government has consumed the usefulness of the man.

As compared with men on active duty the pay of the retired men is much lower. Generally that pay is their only income. Unlike civilians in war work there is no advancement for them in economic standards in terms of increased pay. Instead their retired pay is rapidly being lessened in value as necessities rise in price.

We most sincerely urge extension of the exemption to retired men so that the bill will not leave them as all alone in paying taxes on their meager incomes after substantial service in our armed forces.

Assuring you of my highest regards, I am,

Sincerely yours,

WALTER JOHNSON,

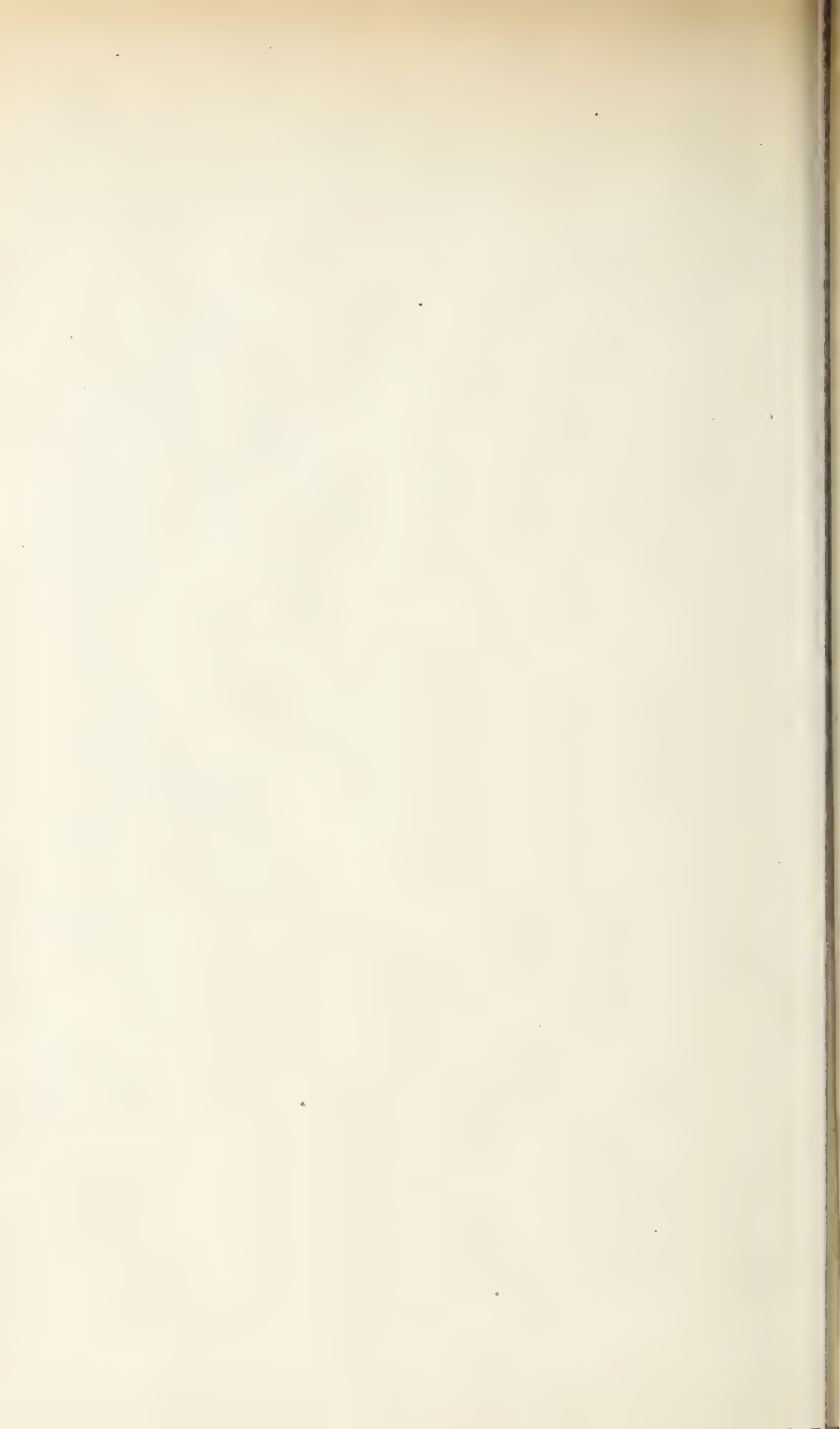
Commander in Chief,

Military Order of the Liberty Bell.

The CHAIRMAN. If there is nothing else at this time the committee will recess until 2:30 and meet in executive session at that time.

(Whereupon, at 12 noon, the committee recessed until 2:30 p. m., to meet in executive session.)





in the future the American Congress will not ratify or help or continue what has been, for nearly 10 years, a consistent American international economic policy.

[From the Wall Street Journal of April 3, 1943]

Our experience since 1934 has proved that the process of negotiating reciprocal-trade agreements offers the one practical approach to a moderation of the fierce nationalism which destroys world trade; at any rate, the one approach open to a tariff-protected economy.

[From the Washington (D. C.) Post of April 3, 1943]

There have been disturbing rumors of late that when the Trade Agreements Act of 1940 expires next June Congress will either allow it to lapse or renew it in a form that will destroy its usefulness. * * * For us to abandon it at a time when its usefulness can now really begin would be a blunder worse than a crime.

[From the Wilmington (Del.) News of April 13, 1943]

The repudiation of the policy of reciprocal-trade agreements by Congress now would have a chilling effect on the nations now our friends.

Mr. GEORGE. Mr. President, the women of the country evidently have seen the benefit of the trade treaties, and I ask to have printed in the RECORD an excerpt from an article appearing in the Washington Herald of April 27, wherein the General Federation of Women's Clubs have sent an appeal for the endorsement of the pacts.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

Mrs. John L. Whitehurst, president of the General Federation of Women's Clubs, sent out an appeal yesterday to the 16,500 constituent groups of the General Federation, including more than two and a half million club women, to support the renewal of the reciprocal trade agreements program.

Mrs. Whitehurst pointed out that the General Federation endorsed the program at the convention in Kansas City in 1938 and reaffirmed its stand at the board meeting in Washington, January 1940.

"We believe that this program has proved its worth," Mrs. Whitehurst's statement reads. "This worth has been proven in the past decade by available facts and figures. A lasting peace can only come when the people of all countries are able to approach their common problems from an international standpoint, not from a merely selfish one."

"MUTUAL BENEFIT FOR NATIONS STRESSED"

"To exchange the fruits of labor of one country," she continued, "for the fruits of labor of another country on a basis of mutual benefit is what the world longs for. No nation is, or can be, self-sufficient. The good of one nation is the good of all—just as with individuals. When trade between nations is reduced or destroyed, dislocation follows, living standards are lowered, poverty and bitterness follow, and wars threaten."

"The reciprocal agreements program, we believe, moves in the opposite direction—toward prosperity, here and elsewhere, thereby helping to lay a firm foundation for a reliable and enduring peace, the great longing in the heart of every woman," Mrs. Whitehurst asserted.

Mr. GEORGE. I ask unanimous consent to have printed in the RECORD an excerpt from an article by Virginia Prew-

ett, appearing in the Washington Post of April 24, endorsing the treaties.

There being no objection, the excerpt was ordered to be printed in the RECORD as follows:

TRADE AGREEMENTS

Latin Americans watching the Washington scene have eyes for one thing only at present—the fight on in Congress over renewal of the Trade Agreements Act.

What they see is a paradox. Never before has this Nation cooperated with other countries as we are doing today. Never before has there been so much talk about the part we must play in building the post-war world. Yet never since this country began cautiously to move out of isolation has the keystone of international collaboration, the trade agreements program, been in such danger.

The Trade Agreements Act was passed to implement a policy of international collaboration that Secretary of State Cordell Hull announced at the Seventh Pan-American Conference at Montevideo in late 1933. There were two urgent reasons for our adopting this policy at that time. One was economic. High tariffs spreading over the world in the late 1920's and early 1930's had collapsed world trade. We, who had become a mighty exporting nation, as a result of the World War had lost two-thirds of our foreign trade. This loss had undermined our industrial economy, leaving millions unemployed.

ACT REVISED TRADE

Trade agreements were a means to revive foreign trade—and with it our internal economy—by opening channels for our goods through the high protectionist walls other countries had raised against us.

Mr. GEORGE. I wish also to include an excerpt from an editorial from the Baltimore Sun of April 15.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

But international trade is always subject to constant change, and especially in fluid times like those through which the world is now passing. Circumstances may easily arise in which certain provisions of a treaty may become unsatisfactory to us or to the other signatory. If the Trade Agreements Act is extended, it will be easy to deal with such provisions. Our representatives can then sit down with the representatives of the other country (after due notice to all those who may be interested) and work out a new agreement suitable to the altered circumstances.

But if the Trade Agreements Act is killed, authority for such negotiations will be lacking; and if a treaty becomes unsatisfactory to us or to the other signatory, the only way out of the difficulty will be to denounce it and allow it to expire after the necessary 6 months' notice. One by one the treaties may be expected to die in this manner, and as they die the Smoot-Hawley duties will come back into full force and effect. Should all the treaties be so wiped out, the country would be back where we were in 1930, when the Smoot-Hawley law dealt the coup de grace to our foreign trade.

Does the Republican party really want to assume responsibility for any such result? Does it really want to scrap machinery for adjusting tariffs to changing conditions and go back to the rigidities from which, to our great advantage, we have escaped? If it does not, it had better pass the word along to Mr. GEARHART and his colleagues on the Ways and Means Committee before it is too late.

Mr. GEORGE. Mr. President, I may say that the United States have been most fortunate in having one so capable

as the Honorable Cordell Hull as the head of the Department of State in this tempestuous period.

CURRENT PAYMENT OF INDIVIDUAL INCOME TAX— AUTHORITY TO FILE REPORT ON TAX BILL

Mr. GEORGE. Mr. President, while I am on my feet, I should like to make an announcement. The tax bill will be reported during the day, I think, and if the text does not reach the floor in time to report it in open session, I ask unanimous consent that it may be reported during the recess or adjournment following today's session, in order that the Senate may have available for its use the printed bill which has been agreed upon or has been ordered reported by the Senate Finance Committee.

In this connection, I should like to state that it will not be possible to file the committee report on the bill, but the report will be available during Tuesday, or it will be on the desks and available to all Senators early Wednesday morning. It is the purpose of the committee to move to take up the bill for consideration Wednesday morning next. The bill itself is expected to be reported today, but I am asking unanimous consent that if the bill should not reach the floor before the hour of adjournment, we may have permission to file it during the recess or adjournment following today's session.

The PRESIDING OFFICER (Mr. HATCH in the chair). Is there objection?

Mr. McNARY. I have no objection to the unanimous consent being granted. However, it is not necessary in order to comply with the rules of the Senate. If the bill shall be filed tomorrow, it will come within the rule permitting it to come up on Wednesday. It is not necessary to file it today, unless the Senator desires to bring it up tomorrow.

Mr. GEORGE. I may say to the Senator, if he will permit, that I had informal advice that perhaps the Senate would not be in session tomorrow, and anticipating that that might happen, I made the request.

Mr. McNARY. I would designate that advice as informal. At any rate, I have no objection to the request. I am glad to know that the bill will come up for discussion Wednesday at noon and that its consideration will continue without abatement until final disposition.

The PRESIDING OFFICER. If there is no objection, the request of the Senator from Georgia will be agreed to. The Chair hears none, and it is so ordered.

Mr. GEORGE subsequently said: Mr. President, earlier in the day I asked for and was granted unanimous consent to report House bill 2570, the bill to provide for the current payment of the individual income tax, and for other purposes. I am now able to make the favorable report from the Committee on Finance on the bill itself, but will ask that the privilege of filing the report tomorrow be continued, if the Senate shall not be in session.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. GEORGE, from the Committee on Finance, to which was referred the bill (H. R. 2570) to provide for the current

payment of the individual income tax, and for other purposes, reported it with an amendment (Rept. No. 221).

The PRESIDING OFFICER. The bill will be placed on the calendar.

Mr. LA FOLLETTE subsequently said: Mr. President, in view of the unanimous consent obtained by the senior Senator from Georgia [Mr. GEORGE] with regard to filing a report on the tax bill after the adjournment of the Senate today, I ask unanimous consent that I may have the right to file minority views during the adjournment of the Senate.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

CIVILIAN SUPPLY ADMINISTRATION

The Senate resumed consideration of the bill (S. 885) to establish a Civilian Supply Administration, and for other purposes.

Mr. TAFT. Mr. President, in order to meet an objection raised by the junior Senator from South Dakota [Mr. BUSHFIELD], I offer the amendment which I ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 11, line 21, after the word "services", it is proposed to insert in parentheses the words "but not including manpower", and in line 24, after the word "services", it is proposed to insert in parentheses "but not including manpower."

Mr. TAFT. Mr. President, the junior Senator from South Dakota raised the question that the word "services" might be interpreted to mean rationing manpower. While I do not think it could be so construed, I suggested to him that I would present this amendment in order to make the meaning perfectly clear.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Ohio to the amendment of the committee.

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment as amended.

Mr. McNARY. Mr. President, if the arguments have been concluded and we are about to vote, I shall suggest the absence of a quorum. I thought, however, that the distinguished Senator from Connecticut had not completed his very excellent statement on the purposes of the bill.

Mr. MALONEY. The Senator from Connecticut does not desire to add to what he has already presented, though if the Senator from Oregon feels that there is need of further argument, I shall be very glad to proceed.

Mr. McNARY. I am always interested in what the Senator has to say, of course, but I am also interested in getting to a vote as quickly as possible, with a minimum of debate.

Mr. MALONEY. I shall cooperate with the Senator to the limit to that end.

Mr. McNARY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Gerry	Overton
Austin	Gillette	Pepper
Bailey	Green	Radcliffe
Ball	Guffey	Reed
Bankhead	Gurney	Revercomb
Barbour	Hatch	Reynolds
Bone	Hawkes	Russell
Bridges	Hayden	Scruggam
Brooks	Hill	Shipstead
Buck	Holman	Stewart
Burton	Johnson, Colo.	Taft
Bushfield	La Follette	Thomas, Idaho
Butler	Langer	Thomas, Okla.
Byrd	Lodge	Thomas, Utah
Capper	Lucas	Truman
Caraway	McClellan	Tunnell
Chandler	McFarland	Tydings
Chavez	McKellar	Vandenberg
Clark, Idaho	McNary	Van Nuys
Clark, Mo.	Maloney	Wagner
Connally	Maybank	Walsh
Danaher	Millikin	Wheeler
Davis	Moore	Wherry
Eastland	Murdock	White
Ellender	Murray	Wilson
Ferguson	Nye	
George	O'Daniel	

The PRESIDING OFFICER. Seventy-nine Senators having answered to their names, a quorum is present.

The question is on the committee amendment, as amended.

Mr. McNARY. Upon that I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk called the roll.

Mr. HILL. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Kentucky [Mr. BARKLEY], the Senator from Virginia [Mr. GLASS], and the Senator from South Carolina [Mr. SMITH] are absent from the Senate because of illness.

The Senator from California [Mr. DOWNEY] is absent on business for the Special Committee to Investigate Labor Shortages.

The Senator from West Virginia [Mr. KILGORE] and the Senator from Washington [Mr. WILGREN] are out of the city conducting hearings on behalf of the Special Committee to Investigate the National Defense Program.

The Senator from Washington [Mr. BONE] is absent attending hearings on the Puerto Rican independence bill.

The Senator from North Carolina [Mr. BAILEY], the Senator from Rhode Island [Mr. GERRY], and the Senator from Wyoming [Mr. O'MAHONEY] are necessarily absent.

The Senator from Mississippi [Mr. BILBO] and the Senator from New York [Mr. MEAD] are detained on important public business.

The Senator from Utah [Mr. MURDOCK] and the Senator from Louisiana [Mr. OVERTON] are detained in Government departments on business pertaining to their respective States. I am advised that, if present and voting, the Senator from Louisiana would vote "yea."

The Senator from Nevada [Mr. McCARRAN] is absent conducting hearings in the West on behalf of the Senate.

The Senator from Nevada [Mr. McCARRAN], who, if present, would vote "yea," is paired with the Senator from Indiana [Mr. WILLIS], who, if present, would vote "nay."

The Senator from West Virginia [Mr. KILGORE], who, if present, would vote

"nay," is paired with the Senator from New Hampshire [Mr. TOBEY], who, if present, would vote "yea."

Mr. McNARY. The Senator from California [Mr. JOHNSON] and the Senator from Wyoming [Mr. ROBERTSON] are absent because of illness.

The Senator from Wisconsin [Mr. WILEY], the Senator from Indian [Mr. WILLIS], the Senator from New Hampshire [Mr. TOBEY], and the Senator from Maine [Mr. BREWSTER] are necessarily absent.

The Senator from New Hampshire [Mr. TOBEY], who, if present, would vote "yea," has a pair on this question with the Senator from West Virginia [Mr. KILGORE], who would vote "nay."

The Senator from Indiana [Mr. WILLIS] has a pair on this question with the Senator from Nevada [Mr. McCARRAN]. If present, the Senator from Indiana would vote "nay," and the Senator from Nevada would vote "yea."

The result was announced—yeas 44, nays 29, as follows:

YEAS—44

Bankhead	Green	Reed
Barbour	Guffey	Reynolds
Buck	Hawkes	Russell
Butler	Hayden	Scruggam
Byrd	Hill	Stewart
Caraway	Johnson, Colo.	Taft
Chandler	La Follette	Thomas, Idaho
Chavez	Lucas	Thomas, Utah
Clark, Idaho	McClellan	Tydings
Clark, Mo.	McFarland	Van Nuys
Connally	McKellar	Wagner
Danaher	Maloney	Walsh
Eastland	Maybank	Wherry
Ellender	Murray	Wilson
George	Radcliffe	

NAYS—29

Aiken	Gillette	O'Daniel
Austin	Gurney	Pepper
Ball	Hatch	Revercomb
Bridges	Holman	Shipstead
Brooks	Langer	Thomas, Okla.
Burton	Lodge	Truman
Bushfield	McNary	Tunnell
Capper	Millikin	Vandenberg
Davis	Moore	Wheeler
Ferguson	Nye	

NOT VOTING—23

Andrews	Glass	Robertson
Bailey	Johnson, Calif.	Smith
Barkley	Kilgore	Tobey
Bilbo	McCarran	Wallgren
Bone	Mead	White
Brewster	Murdock	Wiley
Downey	O'Mahoney	Willis
Gerry	Overton	

So the committee amendment as amended was agreed to.

The VICE PRESIDENT. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill (S. 885) was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

S. 885

An act to establish a Civilian Supply Administration, and for other purposes

Be it enacted, etc.,

DECLARATION OF POLICY

SECTION 1. The Congress hereby declares that the total mobilization of all the Nation's resources is necessary for the successful prosecution of the war, that keeping the civilian population healthy and functioning effectively is essential to the successful prosecution of the war, and that it is the policy of the Nation to guarantee the production and distribution of the goods and services

H. R. 2570

[Report No. 221]

IN THE SENATE OF THE UNITED STATES

MAY 5 (legislative day, MAY 3), 1943

Read twice and referred to the Committee on Finance

MAY 10 (legislative day, MAY 3), 1943

Reported by Mr. GEORGE, with an amendment

[Omit the part struck through and insert the part printed in italic]

AN ACT

To provide for the current payment of the individual income tax,
and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) this Act may be cited as the "Current Tax Pay-
4 ment Act of 1943".

5 ~~(b) MEANING OF TERMS USED.—~~Except as otherwise
6 expressly provided, terms used in this Act shall have the same
7 meaning as when used in the Internal Revenue Code.

8 SEC. 2. COLLECTION OF TAX AT SOURCE ON WAGES.

9 ~~(a) IN GENERAL.—~~Part II of Subchapter D of Chapter
10 1 of the Internal Revenue Code ~~(relating to collection of~~
11 ~~tax at source on wages)~~ is amended to read as follows:

1 **"Part II—Collection of Tax at Source on Wages**

2 **"SEC. 465. DEFINITIONS.**

3 ~~"As used in this part—~~

4 ~~"(a) WAGES.—~~The term 'wages' means all remunera-
5 tion ~~(other than fees paid to a public official)~~ for services
6 performed by an employee for his employer, including the
7 cash value of all remuneration paid in any medium other
8 than cash; except that such term shall not include remunera-
9 tion paid—

10 ~~"(1) for services performed as a member of the~~
11 military or naval forces of the United States, other than
12 pensions and retired pay included in gross income, or

13 ~~"(2) for agricultural labor (as defined in section~~
14 1426 ~~(h))~~; or

15 ~~"(3) for domestic service in a private home, local~~
16 college club, or local chapter of a college fraternity or
17 sorority; or

18 ~~"(4) for casual labor not in the course of the em-~~
19 ployer's trade or business, or

20 ~~"(5) for services by a citizen or resident of the~~
21 United States for a foreign government or for the govern-
22 ment of the Commonwealth of the Philippines; or

23 ~~"(6) for services performed by a nonresident alien~~

1 individual, other than a resident of a contiguous country
2 who enters and leaves the United States at frequent
3 intervals, or

4 “(7) for such services, performed by a nonresident
5 alien individual who is a resident of a contiguous country
6 and who enters and leaves the United States at frequent
7 intervals, as may be designated by regulations prescribed
8 by the Commissioner with the approval of the Secretary,
9 or

10 “(8) for services for an employer performed by a
11 citizen or resident of the United States while outside the
12 United States (as defined in section 3797 (a) (9))
13 if the major part of the services for such employer dur-
14 ing the calendar year is to be performed outside the
15 United States, or

16 “(9) for services performed as a minister of the
17 gospel.

18 For the purpose of paragraph (8) services performed on or
19 in connection with an American vessel (as defined in section
20 1426 (g)) under a contract of service which is entered
21 into within the United States or during the performance of
22 which the vessel touches at a port in the United States, or
23 on or in connection with any vessel as an employee of the

1 United States employed through the War Shipping Ad-
 2 ministration, shall not constitute services performed outside
 3 the United States.

4 “(b) PAYROLL PERIOD.—The term ‘payroll period’
 5 means a period for which a payment of wages is ordinarily
 6 made to the employee by his employer.

7 “(c) EMPLOYEE.—The term ‘employee’ includes an
 8 officer, employee, or elected official of the United States, a
 9 State, Territory, or any political subdivision thereof, or the
 10 District of Columbia, or any agency or instrumentality of any
 11 one or more of the foregoing. The term ‘employee’ also
 12 includes an officer of a corporation.

13 “(d) EMPLOYER.—The term ‘employer’ means any
 14 person for whom an individual performs or performed any
 15 service, of whatever nature, as the employee of such person,
 16 except that if the wages paid to an individual are paid by
 17 a person other than the person for whom the services are
 18 or were performed, the term ‘employer’ (except for the pur-
 19 poses of subsection (a)) means the person paying such
 20 wages.

21 “(e) SINGLE PERSON.—The term ‘single person’ means
 22 a person with respect to whom a withholding exemption
 23 certificate is in effect under section 466 (h) stating that

1 such person is single, or is married and not living with hus-
 2 band or wife, and is not the head of a family.

3 “~~(f)~~ MARRIED PERSON.—The term ‘married person’
 4 means a person with respect to whom a withholding exemp-
 5 tion certificate is in effect under section 466 ~~(h)~~ stating that
 6 he is married and living with husband or wife.

7 “~~(g)~~ MARRIED PERSON CLAIMING ALL OF PERSONAL
 8 EXEMPTION FOR WITHHOLDING.—The term ‘married per-
 9 son claiming all of personal exemption for withholding’ means
 10 a married person with respect to whom a withholding ex-
 11 emption certificate is in effect under section 466 ~~(h)~~ stating
 12 that for the purposes of this part such person claims all of
 13 the personal exemption and that for the purposes of this part
 14 his spouse is claiming none of the personal exemption.

15 “~~(h)~~ MARRIED PERSON CLAIMING HALF OF PERSONAL
 16 EXEMPTION FOR WITHHOLDING.—The term ‘married per-
 17 son claiming half of the personal exemption for withholding’
 18 means a married person with respect to whom a withholding
 19 exemption certificate is in effect under section 466 ~~(h)~~ stat-
 20 ing that for the purposes of this part such person claims half
 21 of the personal exemption.

22 “~~(i)~~ MARRIED PERSON CLAIMING NONE OF PERSONAL
 23 EXEMPTION FOR WITHHOLDING.—The term ‘married person

1 claiming none of the personal exemption for withholding?
 2 means a married person with respect to whom a withholding
 3 exemption certificate is in effect under section 466 (h) mak-
 4 ing no claim with respect to the personal exemption for the
 5 purposes of this part.

6 “(j) HEAD OF FAMILY.—The term ‘head of a family’
 7 means a person with respect to whom a withholding exemp-
 8 tion certificate is in effect under section 466 (h) stating that
 9 he is the head of a family.

10 “(k) DEPENDENT.—The term ‘dependent’ means a per-
 11 son included in a withholding exemption certificate in effect
 12 under section 466 (h) as a person dependent upon and re-
 13 ceiving his chief support from the employee and either under
 14 eighteen years of age or incapable of self support because
 15 mentally or physically defective.

16 “SEC. 466. TAX COLLECTED AT SOURCE.

17 “(a) REQUIREMENT OF WITHHOLDING.—Every em-
 18 ployer making payment of wages to any individual shall
 19 withhold and collect upon such wages a tax as follows:

20 “(1) 17 per centum of the excess of each payment
 21 of such wages over the withholding exemption allowable
 22 under subsection (b) (1) (A), and

23 “(2) 3 per centum of the excess of each payment

of such wages over the withholding exemption allowable under subsection (b) (1) (B).

~~“(b) WITHHOLDING EXEMPTION.—~~

~~“(1) In computing the tax required to be withheld under subsection (a); there shall be allowed as an exemption with respect to the wages paid for each payroll period—~~

~~“(A) in computing the portion thereof required to be withheld under subsection (a) (1), an amount determined in accordance with the following schedule:~~

“Payroll Period	Single Person	Married Person Claiming Whole of Personal Exemption for Withholding or Head of Family	Married Person Claiming Half of Personal Exemption for Withholding	Married Person Claiming None of Personal Exemption for Withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly-----	\$11	\$26	\$13	0	\$8
Biweekly-----	\$22	\$52	\$26	0	\$16
Semimonthly-----	\$23	\$55	\$27.50	0	\$17
Monthly-----	\$46	\$110	\$55	0	\$34
Quarterly-----	\$138	\$330	\$165	0	\$102
Semiannual-----	\$276	\$660	\$330	0	\$204
Annual-----	\$552	\$1,320	\$660	0	\$408
Daily or miscellaneous (per day of such period)-----	\$1.50	\$3.60	\$1.80	0	\$1.40

1 “(B) in computing the portion thereof re-
 2 quired to be withheld under subsection (a) (2),
 3 an amount determined in accordance with the fol-
 4 lowing schedule:

“Payroll Period	Withholding Exemption
Weekly -----	\$12.00
Biweekly -----	24.00
Semi-monthly -----	26.00
Monthly -----	52.00
Quarterly -----	156.00
Semiannual -----	312.00
Annual -----	624.00
Daily or Miscellaneous (per day of such period) -----	1.70

5 “(2) If wages are paid with respect to a period
 6 which is not a payroll period, the exemption allowable
 7 with respect to each payment of such wages shall be the
 8 exemption allowed for a miscellaneous payroll period
 9 containing a number of days equal to the number of days
 10 in the period with respect to which such wages are
 11 paid.

12 “(3) In any case in which wages are paid by an
 13 employer without regard to any payroll period or other
 14 period, the exemption allowable with respect to each
 15 payment of such wages shall be the exemption allowed
 16 for a miscellaneous payroll period containing a number

1 of days equal to the number of days ~~(including Sundays~~
2 ~~and holidays)~~ which have elapsed since the date of the
3 last payment of such wages by such employer during
4 the calendar year, or the date of commencement of em-
5 ployment with such employer during such year, or
6 January 1 of such year, whichever is the later.

7 “~~(4)~~ In any case in which the period, or the time
8 described in paragraph ~~(3)~~, in respect of any wages is
9 less than one week, at the election of the employer the
10 excess of the aggregate of the wages paid to the em-
11 ployee during the calendar week over the exemption
12 allowed by this subsection for a weekly payroll period
13 may be used in computing the tax required to be with-
14 held.

15 “~~(c)~~ WAGE BRACKET WITHHOLDING.—

16 “~~(1)~~ At the election of the employer with respect
17 to any employee, the employer shall deduct and withhold
18 upon the wages paid to such employee a tax determined
19 in accordance with the following tables, which shall be
20 in lieu of the tax required to be withheld under sub-
21 section ~~(a)~~:

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	-----	-----	-----	-----	-----	-----
10	15	\$0.20					
15	20	1.30	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	2.30	.00	.30	.30	.30	.30
25	30	3.30	1.00	.50	.50	.50	.50
30	40	4.80	3.40	2.00	.70	.70	.70
40	50	6.80	5.40	4.00	2.70	1.30	1.00
50	60	8.80	7.40	6.00	4.70	3.30	2.00
60	70	10.80	9.40	8.00	6.70	5.30	4.00
70	80	12.80	11.40	10.00	8.70	7.30	6.00
80	90	14.80	13.40	12.00	10.70	9.30	8.00
90	100	16.80	15.40	14.00	12.70	11.30	10.00
100	110	18.80	17.40	16.00	14.70	13.30	12.00
110	120	20.80	19.40	18.00	16.70	15.30	14.00
120	130	22.80	21.40	20.00	18.70	17.30	16.00
130	140	24.80	23.40	22.00	20.70	19.30	18.00
140	150	26.80	25.40	24.00	22.70	21.30	20.00
150	160	28.80	27.40	26.00	24.70	23.30	22.00
160	170	30.80	29.40	28.00	26.70	25.30	24.00
170	180	32.80	31.40	30.00	28.70	27.30	26.00
180	190	34.80	33.40	32.00	30.70	29.30	28.00
190	200	36.80	35.40	34.00	32.70	31.30	30.00
\$200 or over ---		20% of the excess over \$200 plus					
		\$37.80	\$36.40	\$35.00	\$33.70	\$32.30	\$31.00

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.25 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15						
15	20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	.30	.30	.30	.30	.30	.30
25	30	.70	.50	.50	.50	.50	.50
30	40	2.20	.90	.70	.70	.70	.70
40	50	4.20	2.90	1.50	1.00	1.00	1.00
50	60	6.20	4.90	3.50	2.10	1.30	1.30
60	70	8.20	6.90	5.50	4.10	2.80	1.60
70	80	10.20	8.90	7.50	6.10	4.80	3.40
80	90	12.20	10.90	9.50	8.10	6.80	5.40
90	100	14.20	12.90	11.50	10.10	8.80	7.40
100	110	16.20	14.90	13.50	12.10	10.80	9.40
110	120	18.20	16.90	15.50	14.10	12.80	11.40
120	130	20.20	18.90	17.50	16.10	14.80	13.40
130	140	22.20	20.90	19.50	18.10	16.80	15.40
140	150	24.20	22.90	21.50	20.10	18.80	17.40
150	160	26.20	24.90	23.50	22.10	20.80	19.40
160	170	28.20	26.90	25.50	24.10	22.80	21.40
170	180	30.20	28.90	27.50	26.10	24.80	23.40
180	190	32.20	30.90	29.50	28.10	26.80	25.40
190	200	34.20	32.90	31.50	30.10	28.80	27.40
\$200 or over ---		20% of the excess over \$200 plus					
		\$35.20	\$33.90	\$32.50	\$31.10	\$29.80	\$28.40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10						
10	15						
15	20	\$0.90	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	1.90	.60	.30	.30	.30	.30
25	30	2.90	1.60	.50	.50	.50	.50
30	40	4.40	3.10	1.70	.70	.70	.70
40	50	6.40	5.10	3.70	2.30	1.00	1.00
50	60	8.40	7.10	5.70	4.30	3.00	1.60
60	70	10.40	9.10	7.70	6.30	5.00	3.60
70	80	12.40	11.10	9.70	8.30	7.00	5.60
80	90	14.40	13.10	11.70	10.30	9.00	7.60
90	100	16.40	15.10	13.70	12.30	11.00	9.60
100	110	18.40	17.10	15.70	14.30	13.00	11.60
110	120	20.40	19.10	17.70	16.30	15.00	13.60
120	130	22.40	21.10	19.70	18.30	17.00	15.60
130	140	24.40	23.10	21.70	20.30	19.00	17.60
140	150	26.40	25.10	23.70	22.30	21.00	19.60
150	160	28.40	27.10	25.70	24.30	23.00	21.60
160	170	30.40	29.10	27.70	26.30	25.00	23.60
170	180	32.40	31.10	29.70	28.30	27.00	25.60
180	190	34.40	33.10	31.70	30.30	29.00	27.60
190	200	36.40	35.10	33.70	32.30	31.00	29.60
\$200 or over		20% of the excess over \$200 plus					
		\$37.40	\$36.10	\$34.70	\$33.30	\$32.00	\$30.60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12; computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	\$0.80					
10	15	2.10	\$0.80				
15	20	3.10	1.80	\$0.40	\$0.20	\$0.20	\$0.20
20	25	4.10	2.80	1.40	.30	.30	.30
25	30	5.10	3.80	2.40	1.10	.50	.50
30	40	6.60	5.30	3.90	2.60	1.20	.70
40	50	8.60	7.30	5.90	4.60	3.20	1.80
50	60	10.60	9.30	7.90	6.60	5.20	3.80
60	70	12.60	11.30	9.90	8.60	7.20	5.80
70	80	14.60	13.30	11.90	10.60	9.20	7.80
80	90	16.60	15.30	13.90	12.60	11.20	9.80
90	100	18.60	17.30	15.90	14.60	13.20	11.80
100	110	20.60	19.30	17.90	16.60	15.20	13.80
110	120	22.60	21.30	19.90	18.60	17.20	15.80
120	130	24.60	23.30	21.90	20.60	19.20	17.80
130	140	26.60	25.30	23.90	22.60	21.20	19.80
140	150	28.60	27.30	25.90	24.60	23.20	21.80
150	160	30.60	29.30	27.90	26.60	25.20	23.80
160	170	32.60	31.30	29.90	28.60	27.20	25.80
170	180	34.60	33.30	31.90	30.60	29.20	27.80
180	190	36.60	35.30	33.90	32.60	31.20	29.80
190	200	38.60	37.30	35.90	34.60	33.20	31.80
\$200 or over		20% of the excess over \$200 plus					
		\$39.60	\$38.30	\$36.90	\$35.60	\$34.20	\$32.80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	-----	-----	-----	-----	-----	-----
10	15	-----	-----	-----	-----	-----	-----
15	20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	.30	.30	.30	.30	.30	.30
25	30	.70	.70	.50	.50	.50	.50
30	40	2.20	2.20	.90	.70	.70	.70
40	50	4.20	4.20	2.00	1.50	1.00	1.00
50	60	6.20	6.20	4.00	3.50	2.10	1.30
60	70	8.20	8.20	6.00	5.50	4.10	2.30
70	80	10.20	10.20	8.00	7.50	6.10	4.30
80	90	12.20	12.20	10.00	9.50	8.10	6.30
90	100	14.20	14.20	12.00	11.50	10.10	8.30
100	110	16.20	16.20	14.00	13.50	12.10	10.30
110	120	18.20	18.20	16.00	15.50	14.10	12.30
120	130	20.20	20.20	18.00	17.50	16.10	14.30
130	140	22.20	22.20	20.00	19.50	18.10	16.30
140	150	24.20	24.20	22.00	21.50	20.10	18.30
150	160	26.20	26.20	24.00	23.50	22.10	20.30
160	170	28.20	28.20	26.00	25.50	24.10	22.30
170	180	30.20	30.20	28.00	27.50	26.10	24.30
180	190	32.20	32.20	30.00	29.50	28.10	26.30
190	200	34.20	34.20	32.00	31.50	30.10	28.30
\$200 or over...		20% of the excess over \$200 plus					
		\$35.20	\$35.20	\$33.90	\$32.50	\$31.10	\$29.80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30	\$0.50					
30	40	2.50	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	4.50	1.80	.60	.60	.60	.60
50	60	6.50	3.80	1.10	.90	.90	.90
60	80	9.50	6.80	4.10	1.40	1.40	1.40
80	100	13.50	10.80	8.10	5.40	2.70	2.00
100	120	17.50	14.80	12.10	9.40	6.70	3.90
120	140	21.50	18.80	16.10	13.40	10.70	7.90
140	160	25.50	22.80	20.10	17.40	14.70	11.90
160	180	29.50	26.80	24.10	21.40	18.70	15.90
180	200	33.50	30.80	28.10	25.40	22.70	19.90
200	220	37.50	34.80	32.10	29.40	26.70	23.90
220	240	41.50	38.80	36.10	33.40	30.70	27.90
240	260	45.50	42.80	40.10	37.40	34.70	31.90
260	280	49.50	46.80	44.10	41.40	38.70	35.90
280	300	53.50	50.80	48.10	45.10	42.70	39.90
300	320	57.50	54.80	52.10	49.40	46.70	43.90
320	340	61.50	58.80	56.10	53.40	50.70	47.90
340	360	65.50	62.80	60.10	57.40	54.70	51.90
360	380	69.50	66.80	64.10	61.40	58.70	55.90
380	400	73.50	70.80	68.10	65.40	62.70	59.90
\$400 or over...		20% of the excess over \$400 plus					
		\$75.50	\$72.80	\$70.10	\$67.40	\$64.70	\$61.90

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$21, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be					
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	1.40	.90	.90	.90	.90	.90
60	80	4.40	1.70	1.40	1.40	1.40	1.40
80	100	8.40	5.70	3.00	2.00	2.00	2.00
100	120	12.40	9.70	7.00	4.30	2.60	2.60
120	140	16.40	13.70	11.00	8.30	5.60	3.20
140	160	20.40	17.70	15.00	12.30	9.60	6.80
160	180	24.40	21.70	19.00	16.30	13.60	10.80
180	200	28.40	25.70	23.00	20.30	17.60	14.80
200	220	32.40	29.70	27.00	24.30	21.60	18.80
220	240	36.40	33.70	31.00	28.30	25.60	22.80
240	260	40.40	37.70	35.00	32.30	29.60	26.80
260	280	44.40	41.70	39.00	36.30	33.60	30.80
280	300	48.40	45.70	43.00	40.30	37.60	34.80
300	320	52.40	49.70	47.00	44.30	41.60	38.80
320	340	56.40	53.70	51.00	48.30	45.60	42.80
340	360	60.40	57.70	55.00	52.30	49.60	46.80
360	380	64.40	61.70	59.00	56.30	53.60	50.80
380	400	68.40	65.70	63.00	60.30	57.60	54.80
\$400 or over...		20% of the excess over \$400 plus					
		\$70.40	\$67.70	\$65.00	\$62.30	\$59.60	\$56.80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$100 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30						
30	40	\$1.00	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	3.00	1.10	.60	.60	.60	.60
50	60	5.00	3.10	.90	.90	.90	.90
60	80	8.00	6.10	3.40	1.40	1.40	1.40
80	100	12.00	10.10	7.40	4.70	2.00	2.00
100	120	16.00	14.10	11.40	8.70	6.00	3.30
120	140	20.00	18.10	15.40	12.70	10.00	7.30
140	160	24.00	22.10	19.40	16.70	14.00	11.30
160	180	28.00	26.10	23.40	20.70	18.00	15.30
180	200	32.00	30.10	27.40	24.70	22.00	19.30
200	220	36.00	34.10	31.40	28.70	26.00	23.30
220	240	40.00	38.10	35.40	32.70	30.00	27.30
240	260	44.00	42.10	39.40	36.70	34.00	31.30
260	280	48.00	46.10	43.40	40.70	38.00	35.30
280	300	52.00	50.10	47.40	44.70	42.00	39.30
300	320	56.00	54.10	51.40	48.70	46.00	43.30
320	340	60.00	58.10	55.40	52.70	50.00	47.30
340	360	64.00	62.10	59.40	56.70	54.00	51.30
360	380	68.00	66.10	63.40	60.70	58.00	55.30
380	400	72.00	70.10	67.40	64.70	62.00	59.30
\$400 or over		20% of the excess over \$400 plus					
		\$74.90	\$72.10	\$69.40	\$66.70	\$64.00	\$61.30

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$100 or over, of the excess of the wages) over \$21, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	\$1.70					
20	30	4.30	\$1.60				
30	40	6.30	3.60	\$0.80	\$0.30	\$0.30	\$0.30
40	50	8.30	5.60	2.80	.60	.60	.60
50	60	10.30	7.60	4.80	2.10	.90	.90
60	80	13.30	10.60	7.80	5.10	2.40	1.40
80	100	17.30	14.60	11.80	9.10	6.40	3.70
100	120	21.30	18.60	15.80	13.10	10.40	7.70
120	140	25.30	22.60	19.80	17.10	14.40	11.70
140	160	29.30	26.60	23.80	21.10	18.40	15.70
160	180	33.30	30.60	27.80	25.10	22.40	19.70
180	200	37.30	34.60	31.80	29.10	26.40	23.70
200	220	41.30	38.60	35.80	33.10	30.40	27.70
220	240	45.30	42.60	39.80	37.10	34.40	31.70
240	260	49.30	46.60	43.80	41.10	38.40	35.70
260	280	53.30	50.60	47.80	45.10	42.40	39.70
280	300	57.30	54.60	51.80	49.10	46.40	43.70
300	320	61.30	58.60	55.80	53.10	50.40	47.70
320	340	65.30	62.60	59.80	57.10	54.40	51.70
340	360	69.30	66.60	63.80	61.10	58.40	55.70
360	380	73.30	70.60	67.80	65.10	62.40	59.70
380	400	77.30	74.60	71.80	69.10	66.40	63.70
\$400 or over...		20% of the excess over \$200 plus					
		\$79.30	\$76.60	\$73.80	\$71.10	\$68.40	\$65.70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is the head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be					
\$0	\$20	-----	-----	-----	-----	-----	-----
20	20	-----	-----	-----	-----	-----	-----
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	1.40	1.40	.90	.90	.90	.90
60	80	1.40	1.40	1.70	1.40	1.40	1.40
80	100	8.40	8.40	5.70	3.00	2.00	2.00
100	120	12.40	12.40	9.70	7.00	4.30	2.60
120	140	16.40	16.40	13.70	11.00	8.30	5.60
140	160	20.40	20.40	17.70	15.00	12.30	9.60
160	180	24.40	24.40	21.70	19.00	16.30	13.60
180	200	28.40	28.40	25.70	23.00	20.30	17.60
200	220	32.40	32.40	29.70	27.00	24.30	21.60
220	240	36.40	36.40	33.70	31.00	28.30	25.60
240	260	40.40	40.40	37.70	35.00	32.30	29.60
260	280	44.40	44.40	41.70	39.00	36.30	33.60
280	300	48.40	48.40	45.70	43.00	40.30	37.60
300	320	52.40	52.40	49.70	47.00	44.30	41.60
320	340	56.40	56.40	53.70	51.00	48.30	45.60
340	360	60.40	60.40	57.70	55.00	52.30	49.60
360	380	64.40	64.40	61.70	59.00	56.30	53.60
380	400	68.40	68.40	65.70	63.00	60.30	57.60
\$400 or over		20% of the excess over \$400 plus					
		\$70.40	\$70.40	\$67.70	\$65.00	\$62.30	\$59.60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$21, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30	\$0.30					
30	40	2.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	4.30	1.40	.60	.60	.60	.60
50	60	6.30	3.40	.90	.90	.90	.90
60	80	9.30	6.40	3.50	1.30	1.30	1.30
80	100	13.30	10.40	7.50	4.60	1.90	1.90
100	120	17.30	14.40	11.50	8.60	5.70	2.90
120	140	21.30	18.40	15.50	12.60	9.70	6.90
140	160	25.30	22.40	19.50	16.60	13.70	10.90
160	180	29.30	26.40	23.50	20.60	17.70	14.90
180	200	33.30	30.40	27.50	24.60	21.70	18.90
200	220	37.30	34.40	31.50	28.60	25.70	22.90
220	240	41.30	38.40	35.50	32.60	29.70	26.90
240	260	45.30	42.40	39.50	36.60	33.70	30.90
260	280	49.30	46.40	43.50	40.60	37.70	34.90
280	300	53.30	50.40	47.50	44.60	41.70	38.90
300	320	57.30	54.40	51.50	48.60	45.70	42.90
320	340	61.30	58.40	55.50	52.60	49.70	46.90
340	360	65.30	62.40	59.50	56.60	53.70	50.90
360	380	69.30	66.40	63.50	60.60	57.70	54.90
380	400	73.30	70.40	67.50	64.60	61.70	58.90
\$400 or over...		20% of the excess over \$400 plus					
		\$75.30	\$72.40	\$69.50	\$66.60	\$63.70	\$60.90

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	-----	-----	-----	-----	-----	-----
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	.90	.90	.90	.90	.90	.90
60	80	2.00	1.30	1.30	1.30	1.30	1.30
80	100	7.00	5.00	2.10	1.90	1.90	1.90
100	120	11.00	9.00	6.10	3.20	2.50	2.50
120	140	15.00	12.00	10.10	7.20	4.30	3.10
140	160	19.00	17.00	14.10	11.20	8.30	5.40
160	180	23.00	21.00	18.10	15.20	12.30	9.40
180	200	27.00	25.00	22.10	19.20	16.30	13.40
200	220	31.00	29.00	26.10	23.20	20.30	17.40
220	240	35.00	33.00	30.10	27.20	24.30	21.40
240	260	39.00	37.00	34.10	31.20	28.30	25.40
260	280	43.00	41.00	38.10	35.20	32.30	29.40
280	300	47.00	45.00	42.10	39.20	36.30	33.40
300	320	51.00	49.00	46.10	43.20	40.30	37.40
320	340	55.00	53.00	50.10	47.20	44.30	41.40
340	360	59.00	57.00	54.10	51.20	48.30	45.40
360	380	63.00	61.00	58.10	55.20	52.30	49.40
380	400	67.00	65.00	62.10	59.20	56.30	53.40
\$400 or over		20% of the excess over \$400 plus					
		\$69.00	\$67.00	\$64.10	\$61.20	\$58.30	\$55.40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$1.50	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	3.50	.60	.60	.60	.60	.60
50	60	5.50	2.60	.90	.90	.90	.90
60	80	8.50	5.60	2.80	1.20	1.20	1.20
80	100	12.50	9.60	6.80	2.90	1.90	1.90
100	120	16.50	13.60	10.80	7.90	5.00	2.50
120	140	20.50	17.60	14.80	11.90	9.00	6.10
140	160	24.50	21.60	18.80	15.90	13.00	10.10
160	180	28.50	25.60	22.80	19.90	17.00	14.10
180	200	32.50	29.60	26.80	23.90	21.00	18.10
200	220	36.50	33.60	30.80	27.90	25.00	22.10
220	240	40.50	37.60	34.80	31.90	29.00	26.10
240	260	44.50	41.60	38.80	35.90	33.00	30.10
260	280	48.50	45.60	42.80	39.90	37.00	34.10
280	300	52.50	49.60	46.80	43.90	41.00	38.10
300	320	56.50	53.60	50.80	47.90	45.00	42.10
320	340	60.50	57.60	54.80	51.90	49.00	46.10
340	360	64.50	61.60	58.80	55.90	53.00	50.10
360	380	68.50	65.60	62.80	59.90	57.00	54.10
380	400	72.50	69.60	66.80	63.90	61.00	58.10
\$400 or over...		20% of the excess over \$400 plus					
		\$74.50	\$71.60	\$68.80	\$65.90	\$63.00	\$60.10

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	\$1.70					
20	30	4.20	\$1.40				
30	40	6.20	3.30	\$0.40	\$0.30	\$0.30	\$0.30
40	50	8.20	5.30	2.40	.60	.60	.60
50	60	10.20	7.30	4.40	1.50	.90	.90
60	80	12.20	10.30	7.40	4.50	1.70	1.30
80	100	17.20	14.30	11.40	8.50	5.70	2.80
100	120	21.20	18.30	15.40	12.50	9.70	6.80
120	140	25.20	22.30	19.40	16.50	13.70	10.80
140	160	29.20	26.30	23.40	20.50	17.70	14.80
160	180	33.20	30.30	27.40	24.50	21.70	18.80
180	200	37.20	34.30	31.40	28.50	25.70	22.80
200	220	41.20	38.30	35.40	32.50	29.70	26.80
220	240	45.20	42.30	39.40	36.50	33.70	30.80
240	260	49.20	46.30	43.40	40.50	37.70	34.80
260	280	53.20	50.30	47.40	44.50	41.70	38.80
280	300	57.20	54.30	51.40	48.50	45.70	42.80
300	320	61.20	58.30	55.40	52.50	49.70	46.80
320	340	65.20	62.30	59.40	56.50	53.70	50.80
340	360	69.20	66.30	63.40	60.50	57.70	54.80
360	380	73.20	70.30	67.40	64.50	61.70	58.80
380	400	77.20	74.30	71.40	68.50	65.70	62.80
\$400 or over		20% of the excess over \$400 plus					
		\$79.20	\$76.30	\$73.40	\$70.50	\$67.70	\$64.80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	.90	.90	.90	.90	.90	.90
60	80	3.00	3.00	1.30	1.30	1.30	1.30
80	100	7.00	7.00	5.00	2.10	1.90	1.90
100	120	11.00	11.00	9.00	6.10	3.20	2.50
120	140	15.00	15.00	13.00	10.10	7.20	4.30
140	160	19.00	19.00	17.00	14.10	11.20	8.30
160	180	23.00	23.00	21.00	18.10	15.20	12.30
180	200	27.00	27.00	25.00	22.10	19.20	16.30
200	220	31.00	31.00	29.00	26.10	23.20	20.30
220	240	35.00	35.00	33.00	30.10	27.20	24.30
240	260	39.00	39.00	37.00	34.10	31.20	28.30
260	280	43.00	43.00	41.00	38.10	35.20	32.30
280	300	47.00	47.00	45.00	42.10	39.20	36.30
300	320	51.00	51.00	49.00	46.10	43.20	40.30
320	340	55.00	55.00	53.00	50.10	47.20	44.30
340	360	59.00	59.00	57.00	54.10	51.20	48.30
360	380	63.00	63.00	61.00	58.10	55.20	52.30
380	400	67.00	67.00	65.00	62.10	59.20	56.30
\$400 or over...		20% of the excess over \$400 plus					
		\$69.00	\$69.00	\$67.00	\$64.10	\$61.20	\$58.30

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.00 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	-----	-----	-----	-----	-----	-----
40	50	-----	-----	-----	-----	-----	-----
50	60	\$1.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	3.60	.40	.40	.40	.40	.40
70	80	5.60	.70	.70	.70	.70	.70
80	100	8.60	2.80	1.10	1.10	1.10	1.10
100	120	12.60	6.80	1.70	1.70	1.70	1.70
120	140	16.60	10.80	5.10	2.30	2.30	2.30
140	160	20.60	14.80	9.10	3.30	2.90	2.90
160	200	26.60	20.80	15.10	9.30	3.80	3.80
200	240	34.60	28.80	23.10	17.30	11.50	5.70
240	280	42.60	36.80	31.10	25.30	19.50	13.70
280	320	50.60	44.80	39.10	33.30	27.50	21.70
320	360	58.60	52.80	47.10	41.30	35.50	29.70
360	400	66.60	60.80	55.10	49.30	43.50	37.70
400	440	74.60	68.80	63.10	57.30	51.50	45.70
440	480	82.60	76.80	71.10	65.30	59.50	53.70
480	520	90.60	84.80	79.10	73.30	67.50	61.70
520	560	98.60	92.80	87.10	81.30	75.50	69.70
560	600	106.60	100.80	95.10	89.30	83.50	77.70
600	640	114.60	108.80	103.10	97.30	91.50	85.70
640	680	122.60	116.80	111.10	105.30	99.50	93.70
680	720	130.60	124.80	119.10	113.30	107.50	101.70
720	760	138.60	132.80	127.10	121.30	115.50	109.70
760	800	146.60	140.80	135.10	129.30	123.50	117.70
\$800 or over--		20% of the excess over \$800 plus					
		\$150.60	\$144.80	\$139.10	\$133.30*	\$127.50	\$121.70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	.40	.40	.40	.40	.40	.40
70	80	.70	.70	.70	.70	.70	.70
80	100	1.10	1.10	1.10	1.10	1.10	1.10
100	120	1.70	1.70	1.70	1.70	1.70	1.70
120	140	5.70	2.30	2.30	2.30	2.30	2.30
140	160	9.70	4.00	2.00	2.00	2.00	2.00
160	200	15.70	10.00	4.20	3.80	3.80	3.80
200	240	23.70	18.00	12.20	6.40	5.00	5.00
240	280	31.70	26.00	20.20	14.40	8.60	6.20
280	320	39.70	34.00	28.20	22.40	16.60	10.80
320	360	47.70	42.00	36.20	30.40	24.60	18.80
360	400	55.70	50.00	44.20	38.40	32.60	26.80
400	440	63.70	58.00	52.20	46.40	40.60	34.80
440	480	71.70	66.00	60.20	54.40	48.60	42.80
480	520	79.70	74.00	68.20	62.40	56.60	50.80
520	560	87.70	82.00	76.20	70.40	64.60	58.80
560	600	95.70	90.00	84.20	78.40	72.60	66.80
600	640	103.70	98.00	92.20	86.40	80.60	74.80
640	680	111.70	106.00	100.20	94.40	88.60	82.80
680	720	119.70	114.00	108.20	102.40	96.60	90.80
720	760	127.70	122.00	116.20	110.40	104.60	98.80
760	800	135.70	130.00	124.20	118.40	112.60	106.80
\$800 or over		20% of the excess over \$800 plus					
		\$139.70	\$134.00	\$128.20	\$122.40	\$116.60	\$110.80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52; computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	-----	-----	-----	-----	-----	-----
40	50						
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	2.10	.40	.40	.40	.40	.40
70	80	4.10	.70	.70	.70	.70	.70
80	100	7.10	1.30	1.10	1.10	1.10	1.10
100	120	11.10	5.30	1.70	1.70	1.70	1.70
120	140	15.10	9.30	3.50	2.30	2.30	2.30
140	160	19.10	13.30	7.50	2.90	2.90	2.90
160	200	25.10	19.30	13.50	7.70	3.80	3.80
200	240	33.10	27.30	21.50	15.70	10.00	5.00
240	280	41.10	35.30	29.50	23.70	18.00	12.20
280	320	49.10	43.30	37.50	31.70	26.00	20.20
320	360	57.10	51.30	45.50	39.70	34.00	28.20
360	400	65.10	59.30	53.50	47.70	42.00	36.20
400	440	73.10	67.30	61.50	55.70	50.00	44.20
440	480	81.10	75.30	69.50	63.70	58.00	52.20
480	520	89.10	83.30	77.50	71.70	66.00	60.20
520	560	97.10	91.30	85.50	79.70	74.00	68.20
560	600	105.10	99.30	93.50	87.70	82.00	76.20
600	640	113.10	107.30	101.50	95.70	90.00	84.20
640	680	121.10	115.30	109.50	103.70	98.00	92.20
680	720	129.10	123.30	117.50	111.70	106.00	100.20
720	760	137.10	131.30	125.50	119.70	114.00	108.20
760	800	145.10	139.30	133.50	127.70	122.00	116.20
\$800 or over---		20% of the excess over \$800 plus					
		\$149.10	\$143.30	\$137.50	\$131.70	\$126.00	\$120.20

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	\$2.40	-----	-----	-----	-----	-----
40	50	7.60	\$1.90	-----	-----	-----	-----
50	60	9.40	3.70	\$0.10	\$0.10	\$0.10	\$0.10
60	70	11.40	5.70	.40	.40	.40	.40
70	80	13.40	7.70	1.90	.70	.70	.70
80	100	16.40	10.70	4.90	1.10	1.10	1.10
100	120	20.40	14.70	8.90	3.10	1.70	1.70
120	140	24.40	18.70	12.90	7.10	2.30	2.30
140	160	28.40	22.70	16.90	11.10	5.30	2.90
160	200	34.40	28.70	22.90	17.10	11.30	5.50
200	240	42.40	36.70	30.90	25.10	19.30	13.50
240	280	50.40	44.70	38.90	33.10	27.30	21.50
280	320	58.40	52.70	46.90	41.10	35.30	29.50
320	360	66.40	60.70	54.90	49.10	43.30	37.50
360	400	74.40	68.70	62.90	57.10	51.30	45.50
400	440	82.40	76.70	70.90	65.10	59.30	53.50
440	480	90.40	84.70	78.90	73.10	67.30	61.50
480	520	98.40	92.70	86.90	81.10	75.30	69.50
520	560	106.40	100.70	94.90	89.10	83.30	77.50
560	600	114.40	108.70	102.90	97.10	91.30	85.50
600	640	122.40	116.70	110.90	105.10	99.30	93.50
640	680	130.40	124.70	118.90	113.10	107.30	101.50
680	720	138.40	132.70	126.90	121.10	115.30	109.50
720	760	146.40	140.70	134.90	129.10	123.30	117.50
760	800	154.40	148.70	142.90	137.10	131.30	125.50
\$800 or over...		20% of the excess over \$800 plus					
		\$158.40	\$152.70	\$146.90	\$141.10	\$135.30	\$129.50

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is the head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	-----	-----	-----	-----	-----	-----
40	50	-----	-----	-----	-----	-----	-----
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	.40	.40	.40	.40	.40	.40
70	80	.70	.70	.70	.70	.70	.70
80	100	1.10	1.10	1.10	1.10	1.10	1.10
100	120	1.70	1.70	1.70	1.70	1.70	1.70
120	140	5.70	5.70	2.30	2.30	2.30	2.30
140	160	9.70	9.70	4.00	2.90	2.90	2.90
160	200	15.70	15.70	10.00	4.20	3.80	3.80
200	240	23.70	23.70	18.00	12.20	6.40	5.00
240	280	31.70	31.70	26.00	20.20	14.40	8.60
280	320	39.70	39.70	34.00	28.20	22.40	16.60
320	360	47.70	47.70	42.00	36.20	30.40	24.60
360	400	55.70	55.70	50.00	44.20	38.40	32.60
400	440	63.70	63.70	58.00	52.20	46.40	40.60
440	480	71.70	71.70	66.00	60.20	54.40	48.60
480	520	79.70	79.70	74.00	68.20	62.40	56.60
520	560	87.70	87.70	82.00	76.20	70.40	64.60
560	600	95.70	95.70	90.00	84.20	78.40	72.60
600	640	103.70	103.70	98.00	92.20	86.40	80.60
640	680	111.70	111.70	106.00	100.20	94.40	88.60
680	720	119.70	119.70	114.00	108.20	102.40	96.60
720	760	127.70	127.70	122.00	116.20	110.40	104.60
760	800	135.70	135.70	130.00	124.20	118.40	112.60
\$800 or over---		20% of the excess over \$800 plus					
		\$139.70	\$139.70	\$134.00	\$128.20	\$122.40	\$116.60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1						
1	2						
2	3	\$0.20					
3	4	.40	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.60	.40	.20	.10	.10	.10
5	6	.80	.60	.40	.25	.10	.10
6	7	1.00	.80	.60	.45	.25	.15
7	8	1.20	1.00	.80	.65	.45	.25
8	9	1.40	1.20	1.00	.85	.65	.45
9	10	1.60	1.40	1.20	1.05	.85	.65
10	12	1.90	1.70	1.50	1.35	1.15	.95
12	14	2.30	2.10	1.90	1.75	1.55	1.35
14	16	2.70	2.50	2.30	2.15	1.95	1.75
16	18	3.10	2.90	2.70	2.55	2.35	2.15
18	20	3.50	3.30	3.10	2.95	2.75	2.55
20	22	3.90	3.70	3.50	3.35	3.15	2.95
22	24	4.30	4.10	3.90	3.75	3.55	3.35
24	26	4.70	4.50	4.30	4.15	3.95	3.75
26	28	5.10	4.90	4.70	4.55	4.35	4.15
28	30	5.50	5.30	5.10	4.95	4.75	4.55
\$30 and over		20% of excess over \$30 plus					
		\$5.70	\$5.50	\$5.30	\$5.15	\$4.95	\$4.75

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages; divided by the number of days in such period; are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	-----	-----	-----	-----	-----	-----
3	4	\$0-.05	\$0-.05	\$0-.05	\$0-.05	\$0-.05	\$0-.05
4	5	-.25	-.10	-.10	-.10	-.10	-.10
5	6	-.45	-.25	-.10	-.10	-.10	-.10
6	7	-.65	-.45	-.25	-.15	-.15	-.15
7	8	-.85	-.65	-.45	-.30	-.15	-.15
8	9	1-.05	-.85	-.65	-.50	-.30	-.20
9	10	1-.25	1-.05	-.85	-.70	-.50	-.30
10	12	1-.55	1-.35	1-.15	1-.00	-.80	-.60
12	14	1-.95	1-.75	1-.55	1-.40	1-.20	1-.00
14	16	2-.35	2-.15	1-.95	1-.80	1-.60	1-.40
16	18	2-.75	2-.55	2-.35	2-.20	2-.00	1-.80
18	20	3-.15	2-.95	2-.75	2-.60	2-.40	2-.20
20	22	3-.55	3-.35	3-.15	3-.00	2-.80	2-.60
22	24	3-.95	3-.75	3-.55	3-.40	3-.20	3-.00
24	26	4-.35	4-.15	3-.95	3-.80	3-.60	3-.40
26	28	4-.75	4-.55	4-.35	4-.20	4-.00	3-.80
28	30	5-.15	4-.95	4-.75	4-.60	4-.40	4-.20
\$30 and over		20% of excess over \$30 plus					
		\$5-.35	\$5-.15	\$4-.95	\$4-.80	\$4-.60	\$4-.40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period; computed; in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	\$0.15	-----	-----	-----	-----	-----
3	4	.35	\$0.15	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.55	.35	.15	.10	.10	.10
5	6	.75	.55	.35	.20	.10	.10
6	7	.95	.75	.55	.40	.20	.15
7	8	1.15	.95	.75	.60	.40	.20
8	9	1.35	1.15	.95	.80	.60	.40
9	10	1.55	1.35	1.15	1.00	.80	.60
10	12	1.85	1.65	1.45	1.30	1.10	.90
12	14	2.25	2.05	1.85	1.70	1.50	1.30
14	16	2.65	2.45	2.25	2.10	1.90	1.70
16	18	3.05	2.85	2.65	2.50	2.30	2.10
18	20	3.45	3.25	3.05	2.90	2.70	2.50
20	22	3.85	3.65	3.45	3.30	3.10	2.90
22	24	4.25	4.05	3.85	3.70	3.50	3.30
24	26	4.65	4.45	4.25	4.10	3.90	3.70
26	28	5.05	4.85	4.65	4.50	4.30	4.10
28	30	5.45	5.25	5.05	4.90	4.70	4.50
\$30 and over---		20% of excess over \$30 plus					
		\$5.65	\$5.45	\$5.25	\$5.10	\$4.90	\$4.70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1	\$0.10					
1	2	.25	\$0.05				
2	3	.45	.25	\$0.05			
3	4	.65	.45	.25	\$0.05	\$0.05	\$0.05
4	5	.85	.65	.45	.30	.10	.10
5	6	1.05	.85	.65	.50	.30	.10
6	7	1.25	1.05	.85	.70	.50	.30
7	8	1.45	1.25	1.05	.90	.70	.50
8	9	1.65	1.45	1.25	1.10	.90	.70
9	10	1.85	1.65	1.45	1.30	1.10	.90
10	12	2.15	1.95	1.75	1.60	1.40	1.20
12	14	2.55	2.35	2.15	2.00	1.80	1.60
14	16	2.95	2.75	2.55	2.40	2.20	2.00
16	18	3.35	3.15	2.95	2.80	2.60	2.40
18	20	3.75	3.55	3.35	3.20	3.00	2.80
20	22	4.15	3.95	3.75	3.60	3.40	3.20
22	24	4.55	4.35	4.15	4.00	3.80	3.60
24	26	4.95	4.75	4.55	4.40	4.20	4.00
26	28	5.35	5.15	4.95	4.80	4.60	4.40
28	30	5.75	5.55	5.35	5.20	5.00	4.80
\$30 and over		20% of excess over \$30 plus					
		\$5.95	\$5.75	\$5.55	\$5.40	\$5.20	\$5.00

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	-----	-----	-----	-----	-----	-----
3	4	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.25	.25	.10	.10	.10	.10
5	6	.45	.45	.25	.10	.10	.10
6	7	.65	.65	.45	.25	.15	.15
7	8	.85	.85	.65	.45	.30	.15
8	9	1.05	1.05	.85	.65	.50	.30
9	10	1.25	1.25	1.05	.85	.70	.50
10	12	1.55	1.55	1.35	1.15	1.00	.80
12	14	1.95	1.95	1.75	1.55	1.40	1.20
14	16	2.35	2.35	2.15	1.95	1.80	1.60
16	18	2.75	2.75	2.55	2.35	2.20	2.00
18	20	3.15	3.15	2.95	2.75	2.60	2.40
20	22	3.55	3.55	3.35	3.15	3.00	2.80
22	24	3.95	3.95	3.75	3.55	3.40	3.20
24	26	4.35	4.35	4.15	3.95	3.80	3.60
26	28	4.75	4.75	4.55	4.35	4.20	4.00
28	30	5.15	5.15	4.95	4.75	4.60	4.40
\$30 and over---		20% of excess over \$30 plus					
		\$5.35	\$5.35	\$5.15	\$4.95	\$4.80	\$4.60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

1 “(2) If wages are paid with respect to a period
2 which is not a payroll period, the amount to be withheld
3 shall be that applicable in the case of a miscellaneous
4 payroll period containing a number of days equal to the
5 number of days in the period with respect to which such
6 wages are paid.

7 “(3) In any case in which wages are paid by an
8 employer without regard to any payroll period or other
9 period, the amount to be withheld shall be that appli-
10 cable in the case of a miscellaneous payroll period con-
11 taining a number of days equal to the number of days
12 (including Sundays and holidays) which have elapsed
13 since the date of the last payment of such wages by such
14 employer during the calendar year, or the date of com-
15 mencement of employment with such employer during
16 such year, or January 1 of such year, whichever is the
17 later.

18 “(4) In any case in which the period, or the time
19 described in paragraph (3), in respect of any wages is
20 less than one week, at the election of the employer the
21 amount to be withheld shall be determined under the
22 tables applicable in the case of a weekly payroll period,
23 and for such purpose the aggregate of the wages paid to
24 the employee during the calendar week shall be con-
25 sidered the weekly wages.

1 “(d) TAX PAID BY RECIPIENT.—If all of the taxes
 2 against which the tax required to be withheld and collected
 3 under this part may be credited have been paid, the tax so
 4 required to be withheld, collected, and paid by the employer
 5 shall not be collected from the employer; but payment of
 6 such taxes shall in no case relieve the employer from lia-
 7 bility for additions to the tax otherwise applicable in respect
 8 of the tax imposed by this chapter.

9 “(e) CREDIT FOR TAX WITHHELD AT SOURCE.—The
 10 tax withheld and deducted under this part shall not be allowed
 11 as a deduction either to the employer or to the recipient of
 12 the income in computing net income; but the amount with-
 13 held and deducted as tax under this part during any calendar
 14 year upon the wages of any individual shall be allowed as a
 15 credit to the recipient of the income against the tax imposed
 16 by sections 11 and 12, or section 400, as the case may be,
 17 and section 450 (adjusted for the credit allowed by section
 18 453) for taxable years beginning in such calendar year.

19 “(f) REFUNDS.—Where there has been an overpay-
 20 ment of tax under this part, any refund or credit made under
 21 section 322 shall be made to the employer to the extent that
 22 the amount of such overpayment was not withheld and
 23 collected under this part by the employer.

24 “(g) INCLUDED AND EXCLUDED WAGES.—If the re-
 25 muneration paid by an employer to an employee for services

1 performed during one-half or more of any payroll period
 2 of not more than thirty-one consecutive days constitutes
 3 wages; all the remuneration paid by such employer to such
 4 employee for such period shall be deemed to be wages; but
 5 if the remuneration paid by an employer to an employee for
 6 services performed during more than one-half of any such
 7 payroll period does not constitute wages, then none of the
 8 remuneration paid by such employer to such employee for
 9 such period shall be deemed to be wages.

10 ~~“(h) WITHHOLDING EXEMPTION CERTIFICATES.—~~

11 Every employee receiving wages (as defined in section 465)
 12 shall furnish his employer a signed withholding exemption
 13 certificate relating to his status for the purpose of computing
 14 the withholding exemption; or if the employer exercises his
 15 election under section 466 ~~(b)~~ (relating to wage bracket
 16 withholding), for the purpose of computing the amount to be
 17 withheld under such subsection. In case such a certificate is
 18 required because of a change of status, it shall be furnished not
 19 later than ten days after such change occurs. The certificate
 20 shall be in such form and contain such information as the
 21 Commissioner may, with the approval of the Secretary, by
 22 regulations prescribe. Such certificate—

23 ~~“(1) If~~ furnished after the date of commence-
 24 ment of employment with the employer, shall take
 25 effect as of the beginning of the last payroll period

1 beginning prior to, or with respect to the first payment
2 of wages without regard to a payroll period made after,
3 the expiration of thirty days after the date on which such
4 certificate is furnished to the employer, except that at
5 the election of the employer such certificate may be made
6 effective as of the beginning of any previous payroll
7 period ending, or with respect to any previous payment
8 of wages without regard to a payroll period made, on or
9 after the date of the furnishing of such certificate.

10 “(2) If furnished on the date of commencement of
11 employment shall take effect as of the beginning of the
12 first payroll period ending, or the first payment of wages
13 made without regard to a payroll period, on or after the
14 date on which such certificate is furnished to the em-
15 ployer.

16 A certificate which takes effect under this subsection shall
17 continue in effect with respect to the employer until another
18 such certificate furnished by the employee takes effect under
19 this subsection. If no certificate is in effect under this sub-
20 section with respect to an employee, such employee shall be
21 treated, for the purposes of the withholding exemption, or
22 in case the employer exercises his election under section 466
23 (e) (relating to wage bracket withholding), for the purpose
24 of computing the amount to be withheld under such sub-

1 section, as a married person claiming none of the personal
2 exemption for withholding.

3 ~~“(i) OVERLAPPING PAY PERIODS, AND SO FORTH.—If~~
4 a payment of wages is made to an employee by an em-
5 ployer—

6 ~~“(1) with respect to a payroll period or other period,~~
7 any part of which is included in a payroll period or
8 other period with respect to which wages are also paid
9 to such employee by such employer, or

10 ~~“(2) without regard to any payroll period or other~~
11 period, but on or prior to the expiration of a payroll
12 period or other period with respect to which wages are
13 also paid to such employee by such employer, or

14 ~~“(3) with respect to a period beginning in one~~
15 and ending in another calendar year,

16 the manner of withholding and the amount to be withheld
17 under this subchapter shall be determined under regulations
18 prescribed by the Commissioner with the approval of the
19 Secretary.

20 **“SEC. 467. LIABILITY FOR TAX, AND ADJUSTMENTS.**

21 ~~“(a) EMPLOYER LIABLE FOR TAX.—The employer~~
22 shall be liable for the payment of the tax required to be
23 withheld and collected under this part, and shall not be liable
24 to any person for the amount of any such payment.

1 “(b) ADJUSTMENTS.—If more or less than the correct
2 amount of tax is withheld or paid for any quarter in any
3 calendar year, proper adjustments, with respect both to the
4 tax withheld or the tax paid, may be made in any subsequent
5 quarter of such calendar year, without interest, in such
6 manner and at such times as may be prescribed by regula-
7 tions made by the Commissioner, with the approval of the
8 Secretary.

9 “SEC. 468. RETURN AND PAYMENT BY EMPLOYER.

10 “*In lieu of the time prescribed in sections 53 and 56*
11 *for the return and payment of the tax imposed by this*
12 *chapter, every employer shall make a return and pay the*
13 *tax required to be withheld and collected under this part on*
14 *or before the last day of the month following the close of*
15 *each quarter of each calendar year. Such return shall con-*
16 *tain or be verified by a written declaration that it is made*
17 *under the penalties of perjury. The employer shall include*
18 *with the final return for the calendar year a duplicate*
19 *copy of each receipt required to be furnished under section*
20 *469. The employer shall also keep such records and render*
21 *under oath such statements with respect to the tax so with-*
22 *held and collected as may be required under regulations pre-*
23 *scribed by the Commissioner, with the approval of the*
24 *Secretary. If the employer is the United States, or a State,*
25 *Territory, or political subdivision thereof, or the District of*

1 Columbia, or any agency or instrumentality of any one
2 or more of the foregoing, the return required in respect of
3 the amount withheld and collected upon any wages may
4 be made by any officer or employee of the United States,
5 or of such State, Territory, or political subdivision, or of the
6 District of Columbia, or of such agency or instrumentality,
7 as the case may be, having control of the payment of such
8 wages, or appropriately designated for that purpose. A defi-
9 ciency may be determined on the basis of the amounts re-
10 quired to be withheld and collected during a calendar year,
11 and in such case the amount of the tax shown on the return
12 shall be held and considered to be the aggregate of the
13 amounts of tax shown on the quarterly returns, the tax im-
14 posed under this part shall be held and considered to be the
15 aggregate of the taxes imposed for each quarter of the
16 calendar year, the date prescribed for the payment of the
17 tax shall be held and considered to be the date prescribed
18 for the making of the last quarterly return, and for the pur-
19 pose of ascertaining the return on the basis of which such
20 deficiency is determined, the quarterly returns shall be held
21 and considered to be one return required to be made on the
22 date prescribed for the making of the last quarterly return.

23 **"SEC. 469. RECEIPTS.**

24 “(a) **WAGES.**—Every employer required to withhold
25 and collect a tax in respect of the wages of an employee shall

1 furnish to each such employee in respect of his employment
 2 during the calendar year, on or before January 31 of the
 3 succeeding year, or, if his employment is terminated before
 4 the close of such calendar year, on the day on which the last
 5 payment of wages is made, a written statement showing the
 6 wages paid by the employer to such employee during such
 7 calendar year, and the amount of the tax withheld and
 8 collected under this part in respect of such wages.

9 “(b) STATEMENTS TO CONSTITUTE INFORMATION
 10 RETURNS.—The statements required to be furnished by this
 11 section in respect of any wages shall be in lieu of the return
 12 required to be furnished by the employer in respect of such
 13 wages under section 147 and shall be furnished at such other
 14 times, shall contain such other information, and shall be in
 15 such form as the Commissioner, with the approval of the
 16 Secretary, may by regulations prescribe.

17 “(c) EXTENSION OF TIME.—The Commissioner, under
 18 such regulations as he may prescribe with the approval of the
 19 Secretary, may grant to any employer a reasonable extension
 20 of time (not in excess of 30 days) with respect to the state-
 21 ments required to be furnished to employees on the day
 22 on which the last payment of wages is made.

23 “SEC. 470. PENALTIES.

24 “(a) PENALTIES FOR FRAUDULENT RECEIPT OR FAIL-
 25 URE TO FURNISH RECEIPT.—In lieu of any other penalty

1 provided by law (except the penalty provided by subsection
2 (b) of this section); any person required under the provi-
3 sions of section 469 to furnish a receipt in respect of tax
4 withheld pursuant to this part who willfully furnishes a false
5 or fraudulent receipt, or who willfully fails to furnish a receipt
6 in the manner, at the time, and showing the information
7 required under section 469, or regulations prescribed there-
8 under, shall for each such failure, upon conviction thereof
9 be fined not more than \$1,000, or imprisoned for not more
10 than one year, or both.

11 “(b) **ADDITIONAL PENALTY.**—In addition to the pen-
12 alty provided by subsection (a) of this section, any person
13 required under the provisions of section 469 to furnish a
14 receipt in respect of tax withheld pursuant to this part who
15 willfully furnishes a false or fraudulent receipt, or who will-
16 fully fails to furnish a receipt in the manner, at the time, and
17 showing the information required under section 469, or
18 regulations prescribed thereunder, shall for each such failure
19 be subject to a civil penalty of not more than \$50.

20 “(c) **FAILURE OF EMPLOYER TO FILE RETURN OR**
21 **PAY TAX.**—In case of any failure to make and file return
22 or pay the tax required by this part, within the time pre-
23 scribed by law or prescribed by the Commissioner in pursu-
24 ance of law, unless it is shown that such failure is due to rea-
25 sonable cause and not due to willful neglect, the addition to

1 the tax provided for in section 291 shall not be less than
2 \$10."

3 “(d) **PENALTIES IN RESPECT OF WITHHOLDING**
4 **EXEMPTION CERTIFICATES.**—Any individual required to
5 supply information to his employer under section 466 (h)
6 who willfully supplies false or fraudulent information, or who
7 willfully fails to supply information thereunder which would
8 decrease the withholding exemption, shall, in lieu of the
9 penalty provided in section 145 (a), upon conviction thereof,
10 be fined not more than \$500, or imprisoned for not more than
11 one year, or both.”

12 “(b) **TECHNICAL AMENDMENT.**—The heading of Sub-
13 chapter D of Chapter 1 of the Internal Revenue Code is
14 amended by inserting at the end thereof the following: “**AND**
15 **COLLECTION OF TAX AT SOURCE ON WAGES**”.

16 “(c) **EXPIRATION DATE FOR WITHHOLDING AT SOURCE**
17 **ON WAGES REPEALED.**—Section 476 of the Internal Revenue
18 Code (prescribing the expiration date for the taxes imposed
19 by Subchapter D) is amended by inserting before “this sub-
20 chapter” the following: “Part I of”.

21 “(d) **EFFECTIVE DATE.**—The amendments made by
22 subsections (a), (b), and (c) shall take effect July 1,
23 1943, and shall be applicable to all wages paid on or after
24 such date.

1 **SEC. 3. REFUNDS.**

2 ~~(a) EXCESSIVE WITHHOLDING.~~—Section 322 ~~(a) (2)~~
 3 of the Internal Revenue Code ~~(relating to excessive with-~~
 4 ~~holding)~~ is amended to read as follows:

5 “~~(2) EXCESSIVE WITHHOLDING.~~—Where the
 6 amount of the tax withheld at the source under Part II
 7 of Subchapter D exceeds the taxes imposed by this
 8 chapter ~~(after allowance of the credits provided by sec-~~
 9 ~~tions 31, 32, and 453)~~ against which the tax so withheld
 10 may be credited under section 466 ~~(c)~~, the amount of
 11 such excess shall be credited against any income tax or
 12 installment thereof then due from the taxpayer, and any
 13 balance thereof shall be refunded immediately to the
 14 taxpayer.”

15 ~~(b) REVIEW OF ALLOWANCE OF INTEREST.~~—Section
 16 3790 of the Internal Revenue Code ~~(prohibiting administra-~~
 17 ~~tive review of Commissioner's decisions)~~ is amended by in-
 18 serting at the end thereof the following: “In the absence of
 19 fraud or mistake in mathematical calculation, the allowance or
 20 nonallowance by the Commissioner, of interest on any credit
 21 or refund of amounts withheld under Part II of Subchapter
 22 D of chapter 1, or of amounts paid thereunder, or of pay-
 23 ments of the estimated tax made under section 59, shall not,
 24 except as provided in Chapter 5, be subject to review by any

1 other administrative or accounting officer, employee, or agent
2 of the United States.”

3 **SEC. 4. CURRENT PAYMENT OF BASIC TAX NOT WITH-**
4 **HELD AT SOURCE.**

5 ~~(a)~~ **IN GENERAL.**—The Internal Revenue Code is
6 amended by striking out sections 58, 59, and 60 and inserting
7 in lieu thereof the following:

8 **“SEC. 58. DECLARATION OF ESTIMATED BASIC TAX BY**
9 **INDIVIDUALS.**

10 ~~“(a)~~ **REQUIREMENT OF DECLARATION.**—Every in-
11 dividual ~~(other than an estate or trust and other than a non-~~
12 resident alien subject to withholding under section 143 ~~(b))~~
13 shall, at the time during the taxable year prescribed in sub-
14 section ~~(d)~~, make a declaration of his estimated basic tax for
15 the taxable year if his gross income from sources other than
16 wages ~~(as defined in section 465)~~—

17 ~~“(1)~~ in case such individual is single or married
18 but not living with husband or wife; can reasonably be
19 expected to exceed \$100 for the taxable year and his
20 gross income to be such as will require the making of a
21 return for the taxable year under section 51; or did
22 exceed \$100 for the preceding taxable year and such
23 individual either was required to make a return under
24 section 51 for such preceding taxable year or would

1 have been so required if he had been single during the
 2 whole of such preceding the taxable year; or

3 “(2) in case such individual is married and living
 4 with husband or wife; can when added to the gross in-
 5 come which can reasonably be expected to be received
 6 by husband or wife from such sources, reasonably be
 7 expected to exceed \$100 for the taxable year and the
 8 aggregate gross income of such husband and wife can
 9 reasonably be expected to be such as will require the
 10 making of a return under section 51; or did, when added
 11 to the gross income of such husband or wife from such
 12 sources for the preceding taxable year, exceed \$100
 13 for such preceding taxable year and such individual
 14 would have been required to make a return under sec-
 15 tion 51 for such preceding taxable year if he had been
 16 married and living with husband or wife during the whole
 17 of such preceding taxable year.

18 “(b) CONTENTS OF DECLARATION.—In the declaration
 19 required under subsection (a) the individual shall state—

20 “(1) the amount by which his estimated net income
 21 for the taxable year exceeds the greater of the following:

22 “(A) the amount of his estimated wages as
 23 defined in section 465, the withheld tax on which is
 24 allowable as a credit for such taxable year under
 25 section 466 (e);

1 “(B) the amount of his estimated aggregate
2 amount of the credits for the taxable year allowable
3 under section 25 (b);

4 “(2) the amount equal to 20% of the amount
5 determined under paragraph (1); which for the purpose
6 of this chapter shall be held and considered to be the
7 estimated basic tax for the taxable year.

8 The declaration shall also contain such other information for
9 the purposes of carrying out the provisions of this chapter
10 as the Commissioner, with the approval of the Secretary,
11 may by regulations prescribe, and shall contain or be verified
12 by a written statement that it is made under the penalties of
13 perjury.

14 “(c) **JOINT DECLARATION BY HUSBAND AND WIFE.**—

15 In the case of a husband and wife living together, a single
16 declaration under this section may be made by them jointly,
17 in which case the liability with respect to the estimated basic
18 tax shall be joint and several. No joint declaration may be
19 made if either the husband or wife is a nonresident alien. If
20 a joint declaration is made but a joint return is not made for
21 the taxable year, the estimated basic tax for such year may be
22 treated as the estimated basic tax of either the husband or the
23 wife, or may be divided between them.

24 “(d) **TIME AND PLACE FOR FILING.**—The declaration
25 required under subsection (a) shall be filed on or before

1 the fifteenth day of the third month of the taxable year,
 2 except that if the requirements of subsection ~~(a)~~ are first
 3 met after such date, the declaration shall be filed on or
 4 before the fifteenth day of the last month of the quarter of
 5 the taxable year in which such requirements are first met.
 6 An individual may make amendments or revisions of a declara-
 7 tion filed under this subsection, under regulations prescribed
 8 by the Commissioner with the approval of the Secretary. If
 9 so made, such amendments or revisions shall be filed on or
 10 before the fifteenth day of any quarter of the taxable year
 11 subsequent to that in which the declaration was filed and in
 12 which no previous amendments or revisions have been made
 13 or filed. Declarations and amendments and revisions thereof
 14 shall be filed with the Collector specified in section
 15 ~~53~~ ~~(b)~~ ~~(1)~~.

16 “~~(c)~~ EXTENSION OF TIME.—The Commissioner may
 17 grant a reasonable extension of time for filing declarations,
 18 under such rules and regulations as he shall prescribe with the
 19 approval of the Secretary. Except in the case of taxpayers
 20 who are abroad, no such extension shall be for more than six
 21 months.

22 “~~(f)~~ PERSONS UNDER DISABILITY.—If the taxpayer is
 23 unable to make his own declaration, the declaration shall be
 24 made by a duly authorized agent or by the guardian or other

1 person charged with the care of the person or property of
2 such taxpayer.

3 “(g) SIGNATURE PRESUMED CORRECT.—The fact that
4 an individual's name is signed to a filed declaration shall
5 be prima facie evidence for all purposes that the declaration
6 was actually signed by him.

7 **“SEC. 59. PAYMENT OF ESTIMATED BASIC TAX.**

8 “(a) IN GENERAL.—The estimated basic tax shall be
9 paid in four equal installments except that

10 “(1) if the declaration is filed (otherwise than
11 pursuant to an extension of time) after the fifteenth
12 day of the third month of the taxable year, the estimated
13 basic tax shall be paid in equal installments the number
14 of which is equal to the number of quarters remaining
15 in the taxable year (including the quarter in which the
16 declaration is filed); and

17 “(2) if any amendment or revision of a declaration
18 is filed, the remaining installments shall be ratably in-
19 creased or decreased, as the case may be, to reflect the
20 increase or decrease, as the case may be, in the estimated
21 basic tax by reason of such amendment or revision; and

22 “(3) at the election of the individual, any install-
23 ment of the estimated basic tax may be paid prior to the
24 date prescribed for its payment.

1 Payment of the estimated basic tax shall be considered pay-
2 ment on account of the tax for the taxable year.

3 “(b) ASSESSMENT.—The estimated basic tax shall be
4 assessed only to the extent paid.

5 **“SEC. 60. SPECIAL RULES FOR APPLICATION OF SECTIONS**
6 **58 AND 59.**

7 “(a) FARMERS.—In the case of an individual whose
8 estimated gross income from farming for the taxable year
9 is at least 80 per centum of the total estimated gross income
10 from all sources for the taxable year, in lieu of the time
11 prescribed in section 58 (d), the declaration for the taxable
12 year may be made at any time on or before the fifteenth
13 day of the last month of the taxable year.

14 “(b) APPLICATION TO SHORT TAXABLE YEARS.—
15 The application of sections 58, 59, and 294 (a) (4) and
16 (5) to taxable years of less than twelve months shall be
17 as prescribed in regulations prescribed by the Commissioner
18 with the approval of the Secretary.

19 “(c) APPLICATION TO TAXABLE YEARS BEGINNING
20 IN 1943.—If the taxable year is the calendar year 1943,
21 the fifteenth day of September, 1943, shall be substituted for
22 the fifteenth day of March for the purposes of section 58 (d).
23 If the taxable year begins in 1943 after January 1, the date
24 which shall be substituted for the fifteenth day of the third

1 month of the taxable year for the purposes of section 58 (d)
 2 shall be prescribed by regulations prescribed by the Com-
 3 missioner with the approval of the Secretary."

4 ~~(b)~~ ADDITIONS TO TAX.—Section 294 (a) of the In-
 5 ternal Revenue Code (relating to additions to tax in case of
 6 nonpayment) is amended by inserting at the end thereof
 7 the following:

8 ~~"(3)~~ FAILURE TO FILE DECLARATION OF ESTI-
 9 MATED BASIC TAX.—In the case of a failure to make and
 10 file a declaration of estimated basic tax within the time
 11 prescribed, there shall be added to the tax \$10 or an
 12 amount equal to 10 per centum of the tax, whichever
 13 is the greater.

14 ~~"(4)~~ FAILURE TO PAY INSTALLMENT OF ESTI-
 15 MATED BASIC TAX.—In the case of the failure to pay an
 16 installment of the estimated basic tax within the time
 17 prescribed, there shall be added to the tax \$2.50 or $2\frac{1}{2}$
 18 per centum of the tax, whichever is the greater, for each
 19 installment with respect to which such failure occurs.

20 ~~"(5)~~ SUBSTANTIAL UNDERESTIMATE OF ESTI-
 21 MATED BASIC TAX.—If 16 per centum in the case of
 22 individuals other than farmers exercising an election und-
 23 section 60 (a), or $13\frac{1}{3}$ per centum in the case of such
 24 farmers, of the net income in excess of the amount of
 25 wages as defined in section 465 (the withheld tax on

which is allowable as a credit under section 466 (e); or the amount of the credits against net income allowable under section 25 (b), whichever is the greater, exceeds the estimated basic tax, there shall be added to the tax an amount equal to 6 per centum of such excess."

(c) PENALTIES.—Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after "return" wherever appearing therein the words "or declaration", and (2) by inserting before "tax" wherever appearing therein the words "estimated basic tax or".

(d) PAYMENT OF TAX.—Section 56 (b) of the Internal Revenue Code is amended to read as follows:

"(b) INSTALLMENT PAYMENTS.—

"(1) CORPORATIONS, ESTATES AND TRUSTS, ETC.—In the case of (A) a corporation (B) a trust (C) an estate, or (D) a nonresident alien subject to withholding under section 143 (b), the taxpayer may elect to pay the tax in four equal installments, in which event the first installment shall be paid on the date prescribed for the payment of the tax by the taxpayer, the second installment shall be paid on the 15th day of the third month, the third installment on the 15th day of the sixth month and the fourth installment on the 15th day of the ninth month after such date.

1 “(2) OTHER INDIVIDUALS.—In the case of all
2 other individuals, the taxpayer may elect to pay the tax
3 in four installments in which event the first installment
4 shall be an amount equal to the sum of the following:

5 “(A) the basic tax;

6 “(B) one-fourth of the amount by which the
7 tax imposed by this chapter computed without re-
8 gard to the credit provided in section 466 (e) ex-
9 ceeds the basic tax.

10 The amount of the first installment as computed hereunder
11 shall be reduced by the sum of the amount of the credit
12 allowable under section 466 (e) plus the amount of esti-
13 mated basic tax paid during the taxable year and in case
14 such sum is equal to or in excess of the amount of the first
15 installment as computed hereunder, but is less than the tax
16 imposed by this chapter (computed without regard to the
17 credit allowable under section 466 (e)) such sum shall con-
18 stitute the amount of the first installment. The amount of
19 an installment other than such first installment shall be one-
20 third of the difference between the tax imposed (computed
21 without regard to the credit allowable under section 466
22 (e)) and the amount of such first installment. The first
23 installment shall be paid on the date prescribed for the pay-
24 ment of the tax by the taxpayer, and the balance of the tax
25 shall be paid in three equal installments, the second install-

1 ment on the 15th day of the third month, the third install-
 2 ment on the 15th day of the sixth month, and the fourth
 3 installment on the 15th day of the ninth month, after such
 4 date.

5 “(3) DEFINITION OF BASIC TAX.—For the purposes
 6 of paragraph (2) of this subsection the term ‘basic tax’
 7 means—

8 “(A) in the case of a taxpayer making a return
 9 under Supplement T, the sum of (i) the tax imposed
 10 under section 400, (ii) the tax imposed under section
 11 450 (adjusted for the credit allowable under section
 12 453) and (iii) any additions to the tax for which
 13 the taxpayer is liable under the provisions of section
 14 294 (a) (3) (4) (5).

15 “(B) in the case of all other taxpayers to which
 16 paragraph (2) of this subsection is applicable, the
 17 sum of (i) the normal tax imposed under section 11,
 18 (ii) an amount equal to a percentage of the surtax
 19 net income at the first bracket rate of surtax, (iii) the
 20 tax imposed under section 450 (adjusted for the
 21 credit allowable under section 453), and (iiii) any
 22 additions to the tax for which the taxpayer is liable
 23 under the provisions of section 294 (a) (3) (4)
 24 (5).

25 If any installment is not paid on or before the date fixed

1 for its payment, the whole amount of the tax unpaid is to be
2 paid upon notice and demand from the collector."

3 ~~(c) TAXABLE YEARS TO WHICH APPLICABLE.~~—The
4 amendments made by this section shall be effective with re-
5 spect to taxable years beginning after December 31, 1942.

6 **SEC. 5. RELIEF FROM DOUBLE PAYMENTS IN 1942.**

7 ~~(a) EFFECTIVE DATE.~~—This section shall be applicable
8 with respect to taxable years beginning in 1942 but shall
9 not take effect until September 1, 1943.

10 ~~(b) IN GENERAL.~~—In the case of an individual who
11 makes a return for a taxable year beginning in 1942, the
12 tax imposed under chapter 1 of the Internal Revenue Code
13 shall, in lieu of that otherwise imposed, be the tax com-
14 puted without regard to this section less an amount equal
15 to the sum of the normal tax plus 13 per centum of the
16 surtax net income for such year.

17 ~~(c) SUPPLEMENT T TAXPAYERS.~~—In the case of an
18 individual who makes a return for the calendar year 1942
19 under Supplement T, the liability for the tax imposed under
20 section 400 of the Internal Revenue Code for such year is
21 cancelled and discharged.

22 ~~(d) SHORT TAXABLE YEARS.~~—The provisions of this
23 section shall not apply to any taxable year which consists of
24 a period of less than twelve months.

25 ~~(e) REDUCTION WHERE CREDIT FOR FOREIGN TAX.~~—

1 In computing the amount by which the tax is reduced under
 2 subsection ~~(b)~~ the tax imposed under chapter 1 of the Inter-
 3 nal Revenue Code shall be the tax imposed under said chap-
 4 ter prior to its diminution by credit available to the taxpayer
 5 under sections 31 and 131 of such chapter. In computing
 6 the net tax liability for any such taxable year the amount
 7 of such credit shall be computed after taking into account
 8 the reduction in tax effected by this section.

9 ~~(f)~~ INDIVIDUALS EXCLUDED.—The provisions of this
 10 section shall not apply to ~~(A)~~ an estate, ~~(B)~~ a trust, ~~(C)~~, a
 11 nonresident alien subject to withholding under section 143
 12 ~~(b)~~ of the Internal Revenue Code.

13 ~~(g)~~ REFUND OR CREDIT OF REDUCTION IN TAX.—
 14 The amount by which the tax is reduced under subsections
 15 ~~(b)~~ and ~~(c)~~ of this section shall, if the taxpayer elects to
 16 pay the tax in installments, be prorated to the four install-
 17 ments of such tax. The amount so prorated to the install-
 18 ments of the tax falling due after September 1, 1943, shall
 19 be applied in reduction of each such installment.

20 ~~(h)~~ TREATMENT OF PAYMENTS PRIOR TO SEPTEMBER
 21 1, 1943, OF AMOUNTS BY WHICH 1942 TAX REDUCED.—
 22 Any payment ~~(other than interest and additions to the tax)~~
 23 made prior to September 1, 1943 ~~(or on or after such date~~
 24 ~~pursuant to any extension of time granted by the Commissioner~~
 25 ~~before such date)~~, of an amount by which the tax imposed un-

der chapter 1 of the Internal Revenue Code is reduced under subsection (b) or (c) of this section for a taxable year beginning in 1942 shall be held and considered as a payment on account of the estimated basic tax for the taxable year beginning in 1943. In the case of any extension of time for the payment of such tax granted by the Commission prior to September 1, 1943, payment of the portion thereof which, if such extension had not been granted, would have been payable under section 56 (b) prior to September 1, 1943, shall be paid notwithstanding subsections (b) or (c) of this section.

**SEC. 6. ADDITIONAL ALLOWANCE FOR MEMBERS OF
ARMED FORCES.**

(a) **IN GENERAL.**—Section 22 (b) (13) of the Internal Revenue Code (relating to additional allowance for military and naval personnel in computing net income) is amended to read as follows:

“(13) **ADDITIONAL ALLOWANCE FOR MILITARY AND NAVAL PERSONNEL.**—In the case of compensation received during any taxable year and before the termination of the present war as proclaimed by the President, by a member of the military or naval forces of the United States for active service in such forces during such war, so much of such compensation as does not exceed the excess of \$3,500 over the personal exemption claimed under section 25 (b) by such member for

such taxable year (and by his spouse, if such member is married and living with his spouse on the last day of the taxable year and such spouse is not entitled to the benefits of this paragraph).”

~~(b)~~ **EFFECTIVE DATE.**—The amendment made by subsection ~~(a)~~ shall apply with respect to all compensation received after December 31, 1941, by a member of the military or naval forces of the United States for active service in such forces.

SEC. 7. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES IN YEAR OF DEATH.

~~(a)~~ **IN GENERAL.**—Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

“Supplement U.—Abatement of Tax for Members of Armed Forces in Year of Death

“SEC. 421. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES IN YEAR OF DEATH.

“In the case of any individual who dies while in active service as a member of the military or naval forces of the United States and prior to the termination of the present war as proclaimed by the President, the tax imposed by this chapter shall not apply with respect to the taxable year in which falls the date of his death, and the tax under this chapter and under the corresponding title of each prior

1 revenue law for preceding taxable years which is unpaid at
 2 the date of his death (including interest, additions to the tax,
 3 and additional amounts) shall not be assessed, and if assessed
 4 the assessment shall be abated, and if collected shall be
 5 credited or refunded as an overpayment."

6 (b) The amendment made by subsection (a) shall be
 7 effective on and after December 7, 1941.

8 That (a) this Act may be cited as the "Current Tax Pay-
 9 ment Act of 1943".

10 (b) *MEANING OF TERMS USED.*—Except as otherwise
 11 expressly provided, terms used in this Act shall have the same
 12 meaning as when used in the Internal Revenue Code.

13 *SEC. 2. COLLECTION OF TAX AT SOURCE ON WAGES.*

14 (a) *IN GENERAL.*—Chapter 9 of the Internal Revenue
 15 Code (relating to employment taxes) is amended by inserting
 16 at the end thereof the following new subchapters:

17 "SUBCHAPTER D—COLLECTION OF INCOME TAX AT
 18 SOURCE ON WAGES

19 "SEC. 1621. DEFINITIONS.

20 "As used in this subchapter—

21 "(a) *WAGES.*—The term 'wages' means all remunera-
 22 tion (other than fees paid to a public official) for services
 23 performed by an employee for his employer, including the
 24 cash value of all remuneration paid in any medium other

1 *than cash; except that such term shall not include remunera-*
2 *tion paid—*

3 “(1) *for services performed as a member of the*
4 *military or naval forces of the United States, other than*
5 *pensions and retired pay includible in gross income, or*

6 “(2) *for agricultural labor (as defined in section*
7 *1426 (h)), or*

8 “(3) *for domestic service in a private home, local*
9 *college club, or local chapter of a college fraternity or*
10 *sorority, or*

11 “(4) *for casual labor not in the course of the em-*
12 *ployer's trade or business, or*

13 “(5) *for services by a citizen or resident of the*
14 *United States for a foreign government or for the gov-*
15 *ernment of the Commonwealth of the Philippines, or*

16 “(6) *for services performed by a nonresident alien*
17 *individual, other than a resident of a contiguous country*
18 *who enters and leaves the United States at frequent*
19 *intervals, or*

20 “(7) *for such services, performed by a nonresident*
21 *alien individual who is a resident of a contiguous country*
22 *and who enters and leaves the United States at frequent*
23 *intervals, as may be designated by regulations prescribed*
24 *by the Commissioner with the approval of the Secretary,*
25 *or*

1 “(8) for services for an employer performed by a
 2 citizen or resident of the United States while outside the
 3 United States (as defined in section 3797 (a) (9)) if
 4 the major part of the services for such employer during
 5 the calendar year is to be performed outside the United
 6 States, or

7 “(9) for services performed as a minister of the
 8 gospel.

9 For the purpose of paragraph (8) services performed on or
 10 in connection with an American vessel (as defined in section
 11 1426 (g)) under a contract of service which is entered
 12 into within the United States or during the performance of
 13 which the vessel touches at a port in the United States, or
 14 on or in connection with any vessel as an employee of the
 15 United States employed through the War Shipping Ad-
 16 ministration, shall not constitute services performed outside
 17 the United States.

18 “(b) PAYROLL PERIOD.—The term ‘payroll period’
 19 means a period for which a payment of wages is ordinarily
 20 made to the employee by his employer, and the term ‘mis-
 21 cellaneous payroll period’ means a payroll period other than
 22 a weekly, biweekly, semimonthly, monthly, quarterly, semi-
 23 annual, or annual payroll period.

24 “(c) EMPLOYEE.—The term ‘employee’ includes an
 25 officer, employee, or elected official of the United States, a

1 *State, Territory, or any political subdivision thereof, or the*
 2 *District of Columbia, or any agency or instrumentality of*
 3 *any one or more of the foregoing. The term 'employee' also*
 4 *includes an officer of a corporation.*

5 “(d) *EMPLOYER.*—The term ‘employer’ means the per-
 6 son for whom an individual performs or performed any
 7 service, of whatever nature, as the employee of such person,
 8 except that—

9 “(1) if the person for whom the individual performs
 10 or performed the services does not have control of the
 11 payment of the wages for such services, the term ‘em-
 12 ployer’ (except for the purposes of subsection (a)) means
 13 the person having control of the payment of such wages;
 14 and

15 “(2) in the case of a person paying wages on behalf
 16 of a nonresident alien individual, foreign partnership,
 17 or foreign corporation, not engaged in trade or business
 18 within the United States, the term ‘employer’ (except
 19 for the purposes of subsection (a)) means such person.

20 “(e) *SINGLE PERSON.*—The term ‘single person’ means
 21 a person with respect to whom a withholding exemption
 22 certificate is in effect under section 1622 (h) stating that
 23 such person is single, or is married and not living with
 24 husband or wife, and is not the head of a family.

1 “(f) *MARRIED PERSON.*—The term ‘married person’
 2 means a person with respect to whom a withholding exemp-
 3 tion certificate is in effect under section 1622 (h) ^{*}stating that
 4 he is married and living with husband or wife.

5 “(g) *MARRIED PERSON CLAIMING ALL OF PERSONAL*
 6 *EXEMPTION FOR WITHHOLDING.*—The term ‘married per-
 7 son claiming all of personal exemption for withholding’
 8 means a married person with respect to whom a withholding
 9 exemption certificate is in effect under section 1622 (h)
 10 stating that for the purposes of this subchapter such person
 11 claims all of the personal exemption and that for the pur-
 12 poses of this subchapter his spouse is claiming none of the
 13 personal exemption.

14 “(h) *MARRIED PERSON CLAIMING HALF OF PER-*
 15 *SONAL EXEMPTION FOR WITHHOLDING.*—The term
 16 ‘married person claiming half of the personal exemption for
 17 withholding’ means a married person with respect to whom a
 18 withholding exemption certificate is in effect under section
 19 1622 (h) stating that for the purposes of this subchapter
 20 such person claims half of the personal exemption and that
 21 for the purposes of this subchapter his spouse is claiming not
 22 more than half of such exemption.

23 “(i) *MARRIED PERSON CLAIMING NONE OF PERSONAL*
 24 *EXEMPTION FOR WITHHOLDING.*—The term ‘married per-

1 son claiming none of the personal exemption for withholding'
 2 means a married person with respect to whom a withholding
 3 exemption certificate is in effect under section 1622 (h)
 4 making no claim with respect to the personal exemption
 5 for the purposes of this subchapter.

6 “(j) *HEAD OF FAMILY*.—The term ‘head of a family’
 7 means a person with respect to whom a withholding exemption
 8 certificate is in effect under section 1622 (h) stating that he
 9 is the head of a family.

10 “(k) *DEPENDENT*.—The term ‘dependent’ means a per-
 11 son included in a withholding exemption certificate in effect
 12 under section 1622 (h) as a person dependent upon and
 13 receiving his chief support from the employee and either
 14 under eighteen years of age or incapable of self-support
 15 because mentally or physically defective.

16 “SEC. 1622. INCOME TAX COLLECTED AT SOURCE.

17 “(a) *REQUIREMENT OF WITHHOLDING*.—Every em-
 18 ployer making payment of wages to any individual shall
 19 withhold and collect upon such wages a tax equal to the
 20 greater of the following:

21 “(1) 20 per centum of the excess of each payment
 22 of such wages over the family status withholding exemp-
 23 tion allowable under subsection (b) (1) (A), or

24 “(2) 3 per centum of the excess of each payment

1 of such wages over the Victory tax withholding exemp-
 2 tion allowable under subsection (b) (1) (B).

3 “(b) *WITHHOLDING EXEMPTION.*—

4 “(1) In computing the tax required to be withheld
 5 under subsection (a), there shall be allowed as a with-
 6 holding exemption with respect to the wages paid for each
 7 payroll period—

8 “(A) in computing the tax required to be with-
 9 held under subsection (a) (1), a family status with-
 10 holding exemption determined in accordance with the
 11 following schedule:

“Family Status Withholding Exemption

“Payroll period	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly-----	\$12	\$24	\$12	0	\$6
Biweekly-----	\$24	\$48	\$24	0	\$12
Semimonthly-----	\$26	\$52	\$26	0	\$13
Monthly-----	\$52	\$104	\$52	0	\$26
Quarterly-----	\$156	\$312	\$156	0	\$78
Semiannual-----	\$312	\$624	\$312	0	\$156
Annual-----	\$624	\$1,248	\$624	0	\$312
Daily or miscellaneous (per day of such period)-----	\$1.70	\$3.40	\$1.70	0	\$.85

“(B) in computing the tax required to be withheld under subsection (a) (2), a Victory tax withholding exemption determined in accordance with the following schedule:

“Payroll Period	Victory Tax Withholding Exemption
<i>Weekly</i> -----	\$12.00
<i>Biweekly</i> -----	24.00
<i>Semimonthly</i> -----	26.00
<i>Monthly</i> -----	52.00
<i>Quarterly</i> -----	156.00
<i>Semiannual</i> -----	312.00
<i>Annual</i> -----	624.00
<i>Daily or Miscellaneous (per day of such period)</i> -----	1.70

“(2) If wages are paid with respect to a period which is not a payroll period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

“(3) In any case in which wages are paid by an employer without regard to any payroll period or other period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer

1 *during the calendar year, or the date of commencement of*
2 *employment with such employer during such year, or*
3 *January 1 of such year, whichever is the later.*

4 “(4) *In any case in which the period, or the time*
5 *described in paragraph (3), in respect of any wages is*
6 *less than one week, at the election of the employer the*
7 *excess of the aggregate of the wages paid to the em-*
8 *ployee during the calendar week over the withholding*
9 *exemption allowed by this subsection for a weekly pay-*
10 *roll period may be used in computing the tax required to*
11 *be withheld.*

12 “(5) *In determining the amount to be withheld un-*
13 *der this subsection, the wages may, at the election of the*
14 *employer, be computed to the nearest dollar.*

15 “(c) *WAGE BRACKET WITHHOLDING.—*

16 “(1) *At the election of the employer with respect*
17 *to any employee, the employer shall deduct and withhold*
18 *upon the wages paid to such employee a tax determined*
19 *in accordance with the following tables, which shall be*
20 *in lieu of the tax required to be withheld under sub-*
21 *section (a):*

If the payroll period with respect to an employee is weekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents	Eight depend- ents	Nine depend- ents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents				
				Or, (3) such person is a single person and has—											
				No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents				
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—										
					No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents			
					Or, (5) such person is head of a family and has—										
					No depend- ents or one depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents				
				The amount of tax to be withheld shall be—											
				\$0	\$10	\$1.00									
10	15	2.50	\$1.30	\$0.10											
15	20	3.50	2.30	1.10	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20				
20	25	4.50	3.30	2.10	.90	.30	.30	.30	.30	.30	.30				
25	30	5.50	4.30	3.10	1.90	.70	.50	.50	.50	.50	.50				
30	40	7.00	5.80	4.60	3.40	2.20	1.00	.70	.70	.70	.70				
40	50	9.00	7.80	6.60	5.40	4.20	3.00	1.80	1.00	1.00	1.00				
50	60	11.00	9.80	8.60	7.40	6.20	5.00	3.80	2.60	1.40	1.30				
60	70	13.00	11.80	10.60	9.40	8.20	7.00	5.80	4.60	3.40	2.20				
70	80	15.00	13.80	12.60	11.40	10.20	9.00	7.80	6.60	5.40	4.20				
80	90	17.00	15.80	14.60	13.40	12.20	11.00	9.80	8.60	7.40	6.20				
90	100	19.00	17.80	16.60	15.40	14.20	13.00	11.80	10.60	9.40	8.20				
100	110	21.00	19.80	18.60	17.40	16.20	15.00	13.80	12.60	11.40	10.20				
110	120	23.00	21.80	20.60	19.40	18.20	17.00	15.80	14.60	13.40	12.20				
120	130	25.00	23.80	22.60	21.40	20.20	19.00	17.80	16.60	15.40	14.20				
130	140	27.00	25.80	24.60	23.40	22.20	21.00	19.80	18.60	17.40	16.20				
140	150	29.00	27.80	26.60	25.40	24.20	23.00	21.80	20.60	19.40	18.20				
150	160	31.00	29.80	28.60	27.40	26.20	25.00	23.80	22.60	21.40	20.20				
160	170	33.00	31.80	30.60	29.40	28.20	27.00	25.80	24.60	23.40	22.20				
170	180	35.00	33.80	32.60	31.40	30.20	29.00	27.80	26.60	25.40	24.20				
180	190	37.00	35.80	34.60	33.40	32.20	31.00	29.80	28.60	27.40	26.20				
190	200	39.00	37.80	36.60	35.40	34.20	33.00	31.80	30.60	29.40	28.20				
\$200 or over-----		20% of the excess over \$200 plus													
		\$40.00	\$38.80	\$37.60	\$36.40	\$35.20	\$34.00	\$32.80	\$31.60	\$30.40	\$29.20				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$1.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents						
				Or, (5) such person is head of a family and has—											
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of tax to be withheld shall be—											
				\$0	\$20	\$2.00									
20	30	5.00	\$2.60	\$0.20											
30	40	7.00	4.60	2.20	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30				
40	50	9.00	6.60	4.20	1.80	.60	.60	.60	.60	.60	.60				
50	60	11.00	8.60	6.20	3.80	1.40	.90	.90	.90	.90	.90				
60	80	14.00	11.60	9.20	6.80	4.40	2.00	1.40	1.40	1.40	1.40				
80	100	18.00	15.60	13.20	10.80	8.40	6.00	3.60	2.00	2.00	2.00				
100	120	22.00	19.60	17.20	14.80	12.40	10.00	7.60	5.20	2.80	2.60				
120	140	26.00	23.60	21.20	18.80	16.40	14.00	11.60	9.20	6.80	4.40				
140	160	30.00	27.60	25.20	22.80	20.40	18.00	15.60	13.20	10.80	8.40				
160	180	34.00	31.60	29.20	26.80	24.40	22.00	19.60	17.20	14.80	12.40				
180	200	38.00	35.60	33.20	30.80	28.40	26.00	23.60	21.20	18.80	16.40				
200	220	42.00	39.60	37.20	34.80	32.40	30.00	27.60	25.20	22.80	20.40				
220	240	46.00	43.60	41.20	38.80	36.40	34.00	31.60	29.20	26.80	24.40				
240	260	50.00	47.60	45.20	42.80	40.40	38.00	35.60	33.20	30.80	28.40				
260	280	54.00	51.60	49.20	46.80	44.40	42.00	39.60	37.20	34.80	32.40				
280	300	58.00	55.60	53.20	50.80	48.40	46.00	43.60	41.20	38.80	36.40				
300	320	62.00	59.60	57.20	54.80	52.40	50.00	47.60	45.20	42.80	40.40				
320	340	66.00	63.60	61.20	58.80	56.40	54.00	51.60	49.20	46.80	44.40				
340	360	70.00	67.60	65.20	62.80	60.40	58.00	55.60	53.20	50.80	48.40				
360	380	74.00	71.60	69.20	66.80	64.40	62.00	59.60	57.20	54.80	52.40				
380	400	78.00	75.60	73.20	70.80	68.40	66.00	63.60	61.20	58.80	56.40				
\$400 or over-----		20% of the excess over \$400 plus													
		\$80.00	\$77.60	\$75.20	\$72.80	\$70.40	\$68.00	\$65.60	\$63.20	\$60.80	\$58.40				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.40 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholdin and has—													
		No depend-ents	One depend-ent	Two depend-ents	Three depend-ents	Four depend-ents	Five depend-ents	Six depend-ents	Seven depend-ents	Eight depend-ents	Nine depend-ents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No depend-ents	One depend-ent	Two depend-ents	Three depend-ents	Four depend-ents	Five depend-ents	Six depend-ents	Seven depend-ents				
				Or, (3) such person is a single person and has—											
				No depend-ents	One depend-ent	Two depend-ents	Three depend-ents	Four depend-ents	Five depend-ents	Six depend-ents	Seven depend-ents				
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—										
					No depend-ents	One depend-ent	Two depend-ents	Three depend-ents	Four depend-ents	Five depend-ents					
					Or, (5) such person is head of a family and has—										
					No depend-ents or one dependent	Two depend-ents	Three depend-ents	Four depend-ents	Five depend-ents	Six depend-ents					
				The amount of tax to be withheld shall be—											
				\$0	\$20	\$2. 00									
20	30	5. 00	\$2. 40												
30	40	7. 00	4. 40	\$1. 80	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30				
40	50	9. 00	6. 40	3. 80	1. 20	. 60	. 60	. 60	. 60	. 60	. 60				
50	60	11. 00	8. 40	5. 80	3. 20	. 90	. 90	. 90	. 90	. 90	. 90				
60	80	14. 00	11. 40	8. 80	6. 20	3. 60	1. 30	1. 30	1. 30	1. 30	1. 30				
80	100	18. 00	15. 40	12. 80	10. 20	7. 60	5. 00	2. 40	1. 90	1. 90	1. 90				
100	120	22. 00	19. 40	16. 80	14. 20	11. 60	9. 00	6. 40	3. 80	2. 50	2. 50				
120	140	26. 00	23. 40	20. 80	18. 20	15. 60	13. 00	10. 40	7. 80	5. 20	3. 10				
140	160	30. 00	27. 40	24. 80	22. 20	19. 60	17. 00	14. 40	11. 80	9. 20	6. 60				
160	180	34. 00	31. 40	28. 80	26. 20	23. 60	21. 00	18. 40	15. 80	13. 20	10. 60				
180	200	38. 00	35. 40	32. 80	30. 20	27. 60	25. 00	22. 40	19. 80	17. 20	14. 60				
200	220	42. 00	39. 40	36. 80	34. 20	31. 60	29. 00	26. 40	23. 80	21. 20	18. 60				
220	240	46. 00	43. 40	40. 80	38. 20	35. 60	33. 00	30. 40	27. 80	25. 20	22. 60				
240	260	50. 00	47. 40	44. 80	42. 20	39. 60	37. 00	34. 40	31. 80	29. 20	26. 60				
260	280	54. 00	51. 40	48. 80	46. 20	43. 60	41. 00	38. 40	35. 80	33. 20	30. 60				
280	300	58. 00	55. 40	52. 80	50. 20	47. 60	45. 00	42. 40	39. 80	37. 20	34. 60				
300	320	62. 00	59. 40	56. 80	54. 20	51. 60	49. 00	46. 40	43. 80	41. 20	38. 60				
320	340	66. 00	63. 40	60. 80	58. 20	55. 60	53. 00	50. 40	47. 80	45. 20	42. 60				
340	360	70. 00	67. 40	64. 80	62. 20	59. 60	57. 00	54. 40	51. 80	49. 20	46. 60				
360	380	74. 00	71. 40	68. 80	66. 20	63. 60	61. 00	58. 40	55. 80	53. 20	50. 60				
380	400	78. 00	75. 40	72. 80	70. 20	67. 60	65. 00	62. 40	59. 80	57. 20	54. 60				
\$400 or over-----		20% of the excess over \$400 plus													
		\$80. 00	\$77. 40	\$74. 80	\$72. 20	\$69. 60	\$67. 00	\$64. 40	\$61. 80	\$59. 20	\$56. 60				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.60 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents		
At least	But less than	Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (3) such person is a single person and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents						
		Or, (5) such person is head of a family and has—											
		No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
		The amount of the tax to be withheld shall be—											
		\$0	\$40	\$4.00	-----	-----	-----	-----	-----	-----	-----	-----	-----
40	50	9.00	\$3.80	-----	-----	-----	-----	-----	-----	-----	-----		
50	60	11.00	5.80	\$0.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10		
60	70	13.00	7.80	2.60	.40	.40	.40	.40	.40	.40	.40		
70	80	15.00	9.80	4.60	.70	.70	.70	.70	.70	.70	.70		
80	100	18.00	12.80	7.60	2.40	1.10	1.10	1.10	1.10	1.10	1.10		
100	120	22.00	16.80	11.60	6.40	1.70	1.70	1.70	1.70	1.70	1.70		
120	140	26.00	20.80	15.60	10.40	5.20	2.30	2.30	2.30	2.30	2.30		
140	160	30.00	24.80	19.60	14.40	9.20	4.00	2.90	2.90	2.90	2.90		
160	200	36.00	30.80	25.60	20.40	15.20	10.00	4.80	3.80	3.80	3.80		
200	240	44.00	38.80	33.60	28.40	23.20	18.00	12.80	7.60	5.00	5.00		
240	280	52.00	46.80	41.60	36.40	31.20	26.00	20.80	15.60	10.40	6.20		
280	320	60.00	54.80	49.60	44.40	39.20	34.00	28.80	23.60	18.40	13.20		
320	360	68.00	62.80	57.60	52.40	47.20	42.00	36.80	31.60	26.40	21.20		
360	400	76.00	70.80	65.60	60.40	55.20	50.00	44.80	39.60	34.40	29.20		
400	440	84.00	78.80	73.60	68.40	63.20	58.00	52.80	47.60	42.40	37.20		
440	480	92.00	86.80	81.60	76.40	71.20	66.00	60.80	55.60	50.40	45.20		
480	520	100.00	94.80	89.60	84.40	79.20	74.00	68.80	63.60	58.40	53.20		
520	560	108.00	102.80	97.60	92.40	87.20	82.00	76.80	71.60	66.40	61.20		
560	600	116.00	110.80	105.60	100.40	95.20	90.00	84.80	79.60	74.40	69.20		
600	640	124.00	118.80	113.60	108.40	103.20	98.00	92.80	87.60	82.40	77.20		
640	680	132.00	126.80	121.60	116.40	111.20	106.00	100.80	95.60	90.40	85.20		
680	720	140.00	134.80	129.60	124.40	119.20	114.00	108.80	103.60	98.40	93.20		
720	760	148.00	142.80	137.60	132.40	127.20	122.00	116.80	111.60	106.40	101.20		
760	800	156.00	150.80	145.60	140.40	135.20	130.00	124.80	119.60	114.40	109.20		
\$800 or over-----		20% of the excess over \$800 plus											
		\$160.00	\$154.80	\$149.60	\$144.40	\$139.20	\$134.00	\$128.80	\$123.60	\$118.40	\$113.20		

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$5.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

**If the payroll period with respect to an employee is a daily payroll period
or a miscellaneous payroll period**

And the wages divid- ed by the number of days in such period are—		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents	Eight depend- ents	Nine depend- ents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents				
				Or, (3) such person is a single person and has—											
				No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents				
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
				No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents						
				Or, (5) such person is head of a family and has—											
				No depend- ents or one de- pendent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents						
				The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period											
				\$0	\$1	\$0. 10									
1	2	. 30	\$0. 15												
2	3	. 50	. 35	\$0. 15											
3	4	. 70	. 55	. 35	\$0. 20	\$0. 05	\$0. 05	\$0. 05	\$0. 05	\$0. 05	\$0. 05				
4	5	. 90	. 75	. 55	. 40	. 20	. 10	. 10	. 10	. 10	. 10				
5	6	1. 10	. 95	. 75	. 60	. 40	. 25	. 10	. 10	. 10	. 10				
6	7	1. 30	1. 15	. 95	. 80	. 60	. 45	. 30	. 15	. 15	. 15				
7	8	1. 50	1. 35	1. 15	1. 00	. 80	. 65	. 50	. 30	. 15	. 15				
8	9	1. 70	1. 55	1. 35	1. 20	1. 00	. 85	. 70	. 50	. 35	. 20				
9	10	1. 90	1. 75	1. 55	1. 40	1. 20	1. 05	. 90	. 70	. 55	. 35				
10	12	2. 20	2. 05	1. 85	1. 70	1. 50	1. 35	1. 20	1. 00	. 85	. 65				
12	14	2. 60	2. 45	2. 25	2. 10	1. 90	1. 75	1. 60	1. 40	1. 25	1. 05				
14	16	3. 00	2. 85	2. 65	2. 50	2. 30	2. 15	2. 00	1. 80	1. 65	1. 45				
16	18	3. 40	3. 25	3. 05	2. 90	2. 70	2. 55	2. 40	2. 20	2. 05	1. 85				
18	20	3. 80	3. 65	3. 45	3. 30	3. 10	2. 95	2. 80	2. 60	2. 45	2. 25				
20	22	4. 20	4. 05	3. 85	3. 70	3. 50	3. 35	3. 20	3. 00	2. 85	2. 65				
22	24	4. 60	4. 45	4. 25	4. 10	3. 90	3. 75	3. 60	3. 40	3. 25	3. 05				
24	26	5. 00	4. 85	4. 65	4. 50	4. 30	4. 15	4. 00	3. 80	3. 65	3. 45				
26	28	5. 40	5. 25	5. 05	4. 90	4. 70	4. 55	4. 40	4. 20	4. 05	3. 85				
28	30	5. 80	5. 65	5. 45	5. 30	5. 10	4. 95	4. 80	4. 60	4. 45	4. 25				
\$30 or over----		20% of the excess over \$30 plus													
		\$6. 00	\$5. 85	\$5. 65	\$5. 50	\$5. 30	\$5. 15	\$5. 00	\$4. 80	\$4. 65	\$4. 45				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$0.15 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

1 “(2) If wages are paid with respect to a period
2 which is not a payroll period, the amount to be withheld
3 shall be that applicable in the case of a miscellaneous
4 payroll period containing a number of days equal to the
5 number of days in the period with respect to which such
6 wages are paid.

7 “(3) In any case in which wages are paid by an
8 employer without regard to any payroll period or other
9 period, the amount to be withheld shall be that appli-
10 cable in the case of a miscellaneous payroll period con-
11 taining a number of days equal to the number of days
12 (including Sundays and holidays) which have elapsed
13 since the date of the last payment of such wages by such
14 employer during the calendar year, or the date of com-
15 mencement of employment with such employer during
16 such year, or January 1 of such year, whichever is the
17 later.

18 “(4) In any case in which the period, or the time
19 described in paragraph (3), in respect of any wages is
20 less than one week, at the election of the employer the
21 amount to be withheld shall be determined under the
22 tables applicable in the case of a weekly payroll period,
23 and for such purpose the aggregate of the wages paid to
24 the employee during the calendar week shall be con-
25 sidered the weekly wages.

“(5) *In determining the amount to be withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.*

“(d) *TAX PAID BY RECIPIENT.—If the employer, in violation of the provisions of this subchapter, fails to withhold and collect the tax under this subchapter, and thereafter the tax against which such tax may be credited is paid, the tax so required to be withheld and collected shall not be collected from the employer; but this subsection shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to withhold and collect.*

“(e) *NONDEDUCTIBILITY OF TAX IN COMPUTING NET INCOME.—The tax withheld and collected under this subchapter shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income for the purpose of any tax on income imposed by Act of Congress.*

“(f) *REFUNDS OR CREDITS.—*

“(1) *EMPLOYERS.—Where there has been an overpayment of tax under this subchapter, refund or credit shall be made to the employer only to the extent that the amount of such overpayment was not withheld and collected under this subchapter by the employer.*

1 “(2) *EMPLOYEES.*—For refund or credit in cases
2 of excessive withholding, see section 322 (a).

3 “(g) *INCLUDED AND EXCLUDED WAGES.*—If the re-
4 muneration paid by an employer to an employee for services
5 performed during one-half or more of any payroll period
6 of not more than thirty-one consecutive days constitutes
7 wages, all the remuneration paid by such employer to such
8 employee for such period shall be deemed to be wages; but
9 if the remuneration paid by an employer to an employee for
10 services performed during more than one-half of any such
11 payroll period does not constitute wages, then none of the
12 remuneration paid by such employer to such employee for
13 such period shall be deemed to be wages.

14 “(h) *WITHHOLDING EXEMPTION CERTIFICATES.*—
15 Every employee receiving wages shall furnish his employer a
16 signed withholding exemption certificate relating to his status
17 for the purpose of computing the withholding exemption, or if
18 the employer exercises his election under section 1622 (b)
19 (relating to wage bracket withholding), for the purpose of
20 computing the amount to be withheld under such subsection.
21 In case of a change of status, a new certificate shall be fur-
22 nished not later than ten days after such change occurs.
23 The certificate shall be in such form and contain such infor-
24 mation as the Commissioner may, with the approval of the
25 Secretary, by regulations prescribe. Such certificate—

1 “(1) If furnished after the date of commencement of
2 employment with the employer, shall take effect with
3 respect to the first payment of wages made on or after
4 the first status determination date which occurs at least
5 thirty days from the date on which such certificate is
6 furnished to the employer, except that at the election of the
7 employer such certificate may be made effective with
8 respect to any previous payment of wages made on or
9 after the date of the furnishing of such certificate. For
10 the purposes of this paragraph the term ‘status deter-
11 mination date’ means January 1 and July 1 of each
12 year.

13 “(2) If furnished on or before the date of com-
14 mencement of employment with the employer, shall take
15 effect as of the beginning of the first payroll period end-
16 ing, or the first payment of wages made without regard to
17 a payroll period, on or after the date on which such
18 certificate is furnished to the employer.

19 A certificate which takes effect under this subsection shall
20 continue in effect with respect to the employer until another
21 such certificate furnished by the employee takes effect under
22 this subsection. If no certificate is in effect under this sub-
23 section with respect to an employee, such employee shall be
24 treated, for the purposes of the withholding exemption, or
25 in case the employer exercises his election under section 1622

1 (c) (relating to wage bracket withholding), for the purpose
 2 of computing the amount to be withheld under such subsection,
 3 as a married person claiming none of the personal exemption
 4 for withholding.

5 “(i) *OVERLAPPING PAY PERIODS, AND SO FORTH.*—
 6 If a payment of wages is made to an employee by an em-
 7 ployer—

8 “(1) with respect to a payroll period or other period,
 9 any part of which is included in a payroll period or
 10 other period with respect to which wages are also paid
 11 to such employee by such employer, or

12 “(2) without regard to any payroll period or other
 13 period, but on or prior to the expiration of a payroll
 14 period or other period with respect to which wages are
 15 also paid to such employee by such employer, or

16 “(3) with respect to a period beginning in one
 17 and ending in another calendar year,

18 the manner of withholding and the amount to be withheld
 19 under this subchapter shall be determined in accordance with
 20 regulations prescribed by the Commissioner with the approval
 21 of the Secretary under which the withholding exemption
 22 allowed to an employee in any calendar year shall approxi-
 23 mate the withholding exemption allowable with respect to an
 24 annual payroll period.

25 “(j) *WITHHOLDING ON BASIS OF AVERAGE WAGES.*—

1 *The Commissioner may, under regulations prescribed by him*
2 *with the approval of the Secretary, authorize employers (1)*
3 *to estimate the wages which will be paid to any employee in*
4 *any quarter of the calendar year, (2) to determine the amount*
5 *to be withheld and collected upon each payment of wages to*
6 *such employee during such quarter as if the appropriate*
7 *average of the wages so estimated constituted the actual wages*
8 *paid, and (3) to withhold and collect upon any payment of*
9 *wages to such employee during such quarter such amount as*
10 *may be necessary to adjust the amount actually withheld and*
11 *collected upon the wages of such employee during such quar-*
12 *ter to the amount required to be withheld during such quarter*
13 *without regard to this subsection.*

14 **"SEC. 1623. LIABILITY FOR TAX.**

15 *"The employer shall be liable for the payment of the tax*
16 *required to be withheld and collected under this subchapter,*
17 *and shall not be liable to any person for the amount of any*
18 *such payment.*

19 **"SEC. 1624. RETURN AND PAYMENT BY GOVERNMENTAL EM-**
20 **PLOYER.**

21 *"If the employer is the United States, or a State, Terri-*
22 *tory, or political subdivision thereof, or the District of Co-*
23 *lumbia, or any agency or instrumentality of any one or more*
24 *of the foregoing, the return of the amount withheld and col-*
25 *lected upon any wages may be made by any officer or em-*

1 ployee of the United States, or of such State, Territory, or
 2 political subdivision, or of the District of Columbia, or of
 3 such agency or instrumentality, as the case may be, having
 4 control of the payment of such wages, or appropriately
 5 designated for that purpose.

6 "SEC. 1625. RECEIPTS.

7 “(a) REQUIREMENT.—Every employer required to with-
 8 hold and collect a tax in respect of the wages of an employee
 9 shall furnish to each such employee in respect of his employ-
 10 ment during the calendar year, on or before January 31
 11 of the succeeding year, or, if his employment is terminated
 12 before the close of such calendar year, on the day on which
 13 the last payment of wages is made, a written statement show-
 14 ing the wages paid by the employer to such employee during
 15 such calendar year, and the amount of the tax withheld and
 16 collected under this subchapter in respect of such wages.

17 “(b) STATEMENTS TO CONSTITUTE INFORMATION
 18 RETURNS.—The statements required to be furnished by this
 19 section in respect of any wages shall be in lieu of the return
 20 required to be furnished by the employer in respect of such
 21 wages under section 147 and shall be furnished at such
 22 other times, shall contain such other information, and shall
 23 be in such form as the Commissioner, with the approval of
 24 the Secretary, may by regulations prescribe.

25 “(c) EXTENSION OF TIME.—The Commissioner, under

1 such regulations as he may prescribe with the approval of
2 the Secretary, may grant to any employer a reasonable
3 extension of time (not in excess of 30 days) with respect to
4 the statements required to be furnished to employees under
5 this section.

6 "SEC. 1626. PENALTIES.

7 “(a) *PENALTIES FOR FRAUDULENT RECEIPT OR*
8 *FAILURE TO FURNISH RECEIPT.*—In lieu of any other
9 penalty provided by law (except the penalty provided by
10 subsection (b) of this section), any person required under
11 the provisions of section 1625 to furnish a receipt in respect
12 of tax withheld pursuant to this subchapter who willfully
13 furnishes a false or fraudulent receipt, or who willfully fails
14 to furnish a receipt in the manner, at the time, and showing
15 the information required under section 1625, or regulations
16 prescribed thereunder, shall for each such failure, upon con-
17 viction thereof be fined not more than \$1,000, or imprisoned
18 for not more than one year, or both.

19 “(b) *ADDITIONAL PENALTY.*—In addition to the pen-
20 alty provided by subsection (a) of this section, any person
21 required under the provisions of section 1625 to furnish a
22 receipt in respect of tax withheld pursuant to this subchapter
23 who willfully furnishes a false or fraudulent receipt, or
24 who willfully fails to furnish a receipt in the manner, at the

1 time, and showing the information required under section
2 1625, or regulations prescribed thereunder, shall for each
3 such failure be subject to a civil penalty of not more than \$50.

4 “(c) *FAILURE OF EMPLOYER TO FILE RETURN OR*
5 *PAY TAX.*—In case of any failure to make and file return
6 or pay the tax required by this subchapter, within the time
7 prescribed by law or prescribed by the Commissioner in
8 pursuance of law, unless it is shown that such failure is due
9 to reasonable cause and not due to willful neglect, the addi-
10 tion to the tax shall not be less than \$10.

11 “(d) *PENALTIES IN RESPECT OF WITHHOLDING*
12 *EXEMPTION CERTIFICATES.*—Any individual required to
13 supply information to his employer under section 1622 (h)
14 who willfully supplies false or fraudulent information, or
15 who willfully fails to supply information thereunder which
16 would require an increase in the tax to be withheld under
17 section 1622, shall, in lieu of any penalty otherwise provided,
18 upon conviction thereof, be fined not more than \$500, or
19 imprisoned for not more than one year, or both.

20 “SEC. 1627. *OTHER LAWS APPLICABLE.*

21 “All provisions of law, including penalties, applicable
22 with respect to the tax imposed by section 1400 shall, insofar
23 as applicable and not inconsistent with the provisions of this
24 subchapter, be applicable with respect to the tax under this
25 subchapter.

1 **"SUBCHAPTER E—GENERAL PROVISIONS**

2 **"SEC. 1630. VERIFICATION OF RETURNS, ETC.**

3 *"(a) POWER OF COMMISSIONER TO REQUIRE.—The*
4 *Commissioner, under regulations prescribed by him with the*
5 *approval of the Secretary, may require that any return,*
6 *statement, or other document required to be filed under this*
7 *chapter shall contain or be verified by a written declaration*
8 *that it is made under the penalties of perjury, and such*
9 *declaration shall be in lieu of any oath otherwise required.*

10 *"(b) PENALTIES.—Every person who willfully makes*
11 *and subscribes any return, statement, or other document,*
12 *which contains or is verified by a written declaration that it*
13 *is made under the penalties of perjury, and which he does*
14 *not believe to be true and correct as to every material matter,*
15 *shall be guilty of a felony, and, upon conviction thereof, shall*
16 *be subject to the penalties prescribed for perjury in section*
17 *125 of the Criminal Code.*

18 **"SEC. 1631. USE OF GOVERNMENT DEPOSITARIES IN CONNEC-**
19 **TION WITH PAYMENT OF TAXES.**

20 *"The Secretary may authorize incorporated banks or*
21 *trust companies which are depositaries or financial agents of*
22 *the United States to receive any taxes under this chapter in*
23 *such manner, at such times, and under such conditions as he*
24 *may prescribe; and he shall prescribe the manner, times, and*
25 *conditions under which the receipt of such taxes by such de-*

1 *positaries and financial agents is to be treated as payment*
 2 *of such taxes to the collectors."*

3 (b) *TECHNICAL AMENDMENTS.—*

4 (1) *AMENDMENT TO SECTION 34.—Section 34 of*
 5 *the Internal Revenue Code (cross reference) is amended*
 6 *by striking out "453, 454, and 466 (e)" and inserting*
 7 *in lieu thereof "453 and 454".*

8 (2) *AMENDMENT TO SECTION 322.—Section 322*
 9 *(f) of the Internal Revenue Code (cross reference) is*
 10 *amended to read as follows:*

11 *"(f) TAX WITHHELD AT SOURCE.—For refund or*
 12 *credit in case of withholding agent, see section 143 (f). For*
 13 *refund or credit in case of employer required to withhold*
 14 *tax on wages, see section 1622 (f)."*

15 (c) *EXPIRATION DATE FOR WITHHOLDING AT*
 16 *SOURCE ON WAGES UNDER SUBCHAPTER D OF CHAPTER*
 17 *1.—Section 476 of the Internal Revenue Code (prescribing*
 18 *the expiration date for the taxes imposed by Subchapter D)*
 19 *is amended to read as follows:*

20 *"SEC. 476. EXPIRATION DATE.*

21 *"The tax imposed by Part I of this subchapter shall not*
 22 *apply with respect to any taxable year commencing after the*
 23 *date of cessation of hostilities in the present war. The tax*
 24 *imposed by Part II of such subchapter shall not apply with*
 25 *respect to any wages paid after June 30, 1943."*

1 (d) *EFFECTIVE DATE.*—The amendments made by
 2 subsections (a) and (b) shall take effect July 1, 1943, and
 3 shall be applicable to all wages paid on or after such date.

4 *SEC. 3. CREDIT FOR TAX WITHHELD AT SOURCE.*

5 Section 35 of the Internal Revenue Code (relating to
 6 the credit for tax withheld on wages) is amended to read as
 7 follows:

8 *"SEC. 35. CREDIT FOR TAX WITHHELD ON WAGES.*

9 *"The amount withheld and collected as tax under Sub-*
 10 *chapter D of Chapter 9 during any calendar year upon the*
 11 *wages of any individual shall be allowed as a credit to the*
 12 *recipient of the income against the tax imposed by this chapter*
 13 *for taxable years beginning in such calendar year."*

14 *SEC. 4. REFUNDS.*

15 (a) *EXCESSIVE WITHHOLDING, ETC.*—Section 322
 16 (a) (2) of the Internal Revenue Code (relating to excessive
 17 withholding) is amended to read as follows:

18 *"(2) EXCESSIVE WITHHOLDING.*—Where the
 19 amount of the tax withheld at the source under Part II
 20 of Subchapter D or Subchapter D of Chapter 9 exceeds
 21 the taxes imposed by this chapter against which the tax
 22 so withheld may be credited under section 35 or 466 (e),
 23 the amount of such excess shall be credited against any
 24 income tax or installment thereof then due from the

1 *taxpayer, and any balance thereof shall be refunded*
2 *immediately to the taxpayer.*

3 *“(3) CREDITS AGAINST ESTIMATED TAX.—The*
4 *Commissioner is authorized to prescribe, with the ap-*
5 *proval of the Secretary, regulations providing for the*
6 *crediting against the estimated tax for any taxable year*
7 *of the amount determined by the taxpayer or the Com-*
8 *missioner to be an overpayment of the tax for the pre-*
9 *ceding taxable year.”*

10 *(b) PRESUMPTION AS TO DATE OF PAYMENT.—Section*
11 *322 (e) of the Internal Revenue Code (relating to presump-*
12 *tion as to date of payment) is amended to read as follows:*

13 *“(e) PRESUMPTION AS TO DATE OF PAYMENT.—For*
14 *the purposes of this section, any tax actually withheld and*
15 *collected at the source during any calendar year under Part*
16 *II of Subchapter D or under Subchapter D of Chapter 9*
17 *shall, in respect of the recipient of the income, be deemed to*
18 *have been paid by him on the fifteenth day of the third month*
19 *following the close of his taxable year with respect to which*
20 *such tax is allowable as a credit under section 35 or section*
21 *466 (e); except that in the case of a nonresident alien indi-*
22 *vidual, it shall be deemed to have been paid by him on the*
23 *fifteenth day of the sixth month following the close of such*
24 *taxable year. For the purposes of this section, any amount*
25 *paid as estimated tax for any taxable year shall be deemed to*

1 have been paid on the fifteenth day of the third month follow-
 2 ing the close of such taxable year, or in the case of a non-
 3 resident alien individual, on the fifteenth day of the sixth
 4 month following the close of such taxable year.”

5 (c) *DELEGATION OF AUTHORITY TO COLLECTORS TO*
 6 *MAKE REFUNDS.*—Section 3770 (a) of the Internal Reve-
 7 nue Code (relating to authority to make refunds) is amended
 8 (1) by striking out “(4)” at the beginning of paragraph
 9 (4) and inserting in lieu thereof “(5)”; and (2) by
 10 inserting after paragraph (3) the following:

11 “(4) *DELEGATION OF AUTHORITY TO COL-*
 12 *LECTORS TO MAKE REFUNDS.*—The Commissioner is
 13 authorized to delegate, with the approval of the Secre-
 14 tary, to collectors any authority, duty, or function which
 15 the Commissioner is authorized or required to exercise
 16 or perform under paragraph (1), (2), or (3) in respect
 17 of any individual, estate, or trust, where the amount
 18 involved does not exceed \$1,000.”

19 (d) *OVERPAYMENTS.*—Section 3770 of the Internal
 20 Revenue Code (relating to authority to make credits and
 21 refunds) is amended by inserting at the end thereof the
 22 following:

23 “(c) *RULE WHERE NO TAX LIABILITY.*—An amount
 24 paid as tax shall not be considered not to constitute an over-

1 *payment solely by reason of the fact that there was no tax*
 2 *liability in respect of which such amount was paid.*

3 “(d) *TAX WITHHELD AT SOURCE.*—For the date of
 4 *payment in respect of tax withheld at source under section*
 5 *466 or under Subchapter D of Chapter 9, see section*
 6 *322 (e).”*

7 “(e) *REVIEW OF ALLOWANCE OF INTEREST.*—Section
 8 *3790 of the Internal Revenue Code (prohibiting administra-*
 9 *tive review of Commissioner’s decisions) is amended by*
 10 *inserting at the end thereof the following: “In the absence of*
 11 *fraud or mistake in mathematical calculation, the allowance*
 12 *or nonallowance by the Commissioner, of interest on any*
 13 *credit or refund under the internal revenue laws shall not,*
 14 *except as provided in Chapter 5, be subject to review by any*
 15 *other administrative or accounting officer, employee, or agent*
 16 *of the United States.”*

17 *SEC. 5. CURRENT PAYMENT OF TAX NOT WITHHELD AT*
 18 *SOURCE.*

19 “(a) *IN GENERAL.*—The Internal Revenue Code is
 20 *amended by striking out sections 58, 59, and 60 and inserting*
 21 *in lieu thereof the following:*

22 *“SEC. 58. DECLARATION OF ESTIMATED TAX BY INDIVIDUALS.*

23 “(a) *REQUIREMENT OF DECLARATION.*—Every indi-
 24 *vidual (other than an estate or trust and other than a non-*
 25 *resident alien) shall, at the time during the taxable year*

1 prescribed in subsection (d), make a declaration of his
2 estimated tax for the taxable year if—

3 “(1) his gross income from wages (as defined in
4 section 465)

5 “(A) in case such individual is single or mar-
6 ried but not living with husband or wife: can reason-
7 ably be expected to exceed \$2,700 for the taxable
8 year; or did exceed \$2,700 for the preceding taxable
9 year; or

10 “(B) in case such individual is married and
11 living with husband or wife: can when added to the
12 gross income which can reasonably be expected to
13 be received by such husband or wife from wages
14 (as so defined) reasonably be expected to exceed
15 \$3,500 for the taxable year; or did when added
16 to the gross income of such husband or wife from
17 wages (as so defined) for the preceding taxable
18 year, exceed \$3,500 for such preceding taxable year;
19 or

20 “(2) his gross income from sources other than wages
21 (as defined in section 465)

22 “(A) in case such individual is single or mar-
23 ried but not living with husband or wife: can reason-
24 ably be expected to exceed \$100 for the taxable
25 year and his gross income to be such as will require

the making of a return for the taxable year under section 51; or did exceed \$100 for the preceding taxable year and such individual either was required to make a return under section 51 or 455 for such preceding taxable year or would have been so required if he had been single during the whole of such preceding taxable year; or

“(B) in case such individual is married and living with husband or wife: can when added to the gross income which can reasonably be expected to be received by husband or wife from such sources, reasonably be expected to exceed \$100 for the taxable year and the aggregate gross income of such husband and wife can reasonably be expected to be such as will require the making of a return under section 51 or 455; or did, when added to the gross income of such husband or wife from such sources for the preceding taxable year, exceed \$100 for such preceding taxable year and such individual would have been required to make a return under section 51 or 455 for such preceding taxable year if he had been married and living with husband or wife during the whole of such preceding taxable year.

“(b) CONTENTS OF DECLARATION.—In the declaration required under subsection (a) the individual shall state—

“(1) the amount which he estimates as the amount of tax under sections 11 and 12, or 400, as the case may be, and section 450, for the taxable year, without regard to any credits under sections 32, 35, and 466 (e);

“(2) the amount which he estimates as the credits for the taxable year under sections 32, 35, and 466 (c); and

“(3) the excess of the amount estimated under paragraph (1) over the amount estimated under paragraph (2), which for the purposes of this chapter shall be held and considered the estimated tax for the taxable year.

The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

“(c) *JOINT DECLARATION BY HUSBAND AND WIFE.*—In the case of a husband and wife living together, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint return is not made for the taxable year, the estimated tax for such year may be

1 *treated as the estimated tax of either the husband or the*
2 *wife, or may be divided between them.*

3 “(d) *TIME AND PLACE FOR FILING.*—*The declaration*
4 *required under subsection (a) shall be filed on or before*
5 *the fifteenth day of the third month of the taxable year,*
6 *except that if the requirements of subsection (a) are first*
7 *met after such date, the declaration shall be filed on or*
8 *before the fifteenth day of the last month of the quarter of*
9 *the taxable year in which such requirements are first met.*
10 *An individual may make amendments or revisions of a dec-*
11 *laration filed under this subsection, under regulations pre-*
12 *scribed by the Commissioner with the approval of the*
13 *Secretary. If so made, such amendments or revisions shall*
14 *be filed on or before the fifteenth day of the last month of*
15 *any quarter of the taxable year subsequent to that in which*
16 *the declaration was filed and in which no previous amend-*
17 *ments or revisions have been made or filed. Declarations and*
18 *amendments and revisions thereof shall be filed with the Col-*
19 *lector specified in section 53 (b) (1).*

20 “(e) *EXTENSION OF TIME.*—*The Commissioner may*
21 *grant a reasonable extension of time for filing declarations*
22 *and paying the estimated tax, under such rules and regula-*
23 *tions as he shall prescribe with the approval of the Secretary.*
24 *Except in the case of taxpayers who are abroad, no such*
25 *extension shall be for more than six months.*

1 “(f) *PERSONS UNDER DISABILITY*.—If the taxpayer
 2 is unable to make his own declaration, the declaration shall
 3 be made by a duly authorized agent or by the guardian or
 4 other person charged with the care of the person or property
 5 of such taxpayer.

6 “(g) *SIGNATURE PRESUMED CORRECT*.—The fact that
 7 an individual's name is signed to a filed declaration shall
 8 be prima facie evidence for all purposes that the declaration
 9 was actually signed by him.

10 “(h) *PUBLICITY OF DECLARATION*.—For the purposes
 11 of section 55 (relating to publicity of returns), a declaration
 12 of estimated tax shall be held and considered a return under
 13 this chapter.

14 “SEC. 59. *PAYMENT OF ESTIMATED TAX*.

15 “(a) *IN GENERAL*.—The estimated tax shall be paid in
 16 four equal installments except that—

17 “(1) if the declaration is filed (otherwise than pur-
 18 suant to an extension of time) after the fifteenth day of
 19 the third month of the taxable year, the estimated tax
 20 shall be paid in equal installments the number of which
 21 is equal to the number of quarters remaining in the tax-
 22 able year (including the quarter in which the declaration
 23 is filed); and

24 “(2) if any amendment or revision of a declara-
 25 tion is filed, the remaining installments shall be ratably

1 *increased or decreased, as the case may be, to reflect the*
 2 *increase or decrease, as the case may be, in the estimated*
 3 *tax by reason of such amendment or revision; and*

4 *“(3) at the election of the individual, any install-*
 5 *ment of the estimated tax may be paid prior to the date*
 6 *prescribed for its payment.*

7 *One installment of the estimated tax shall be paid at the time*
 8 *of making the declaration, and an installment thereof shall*
 9 *be paid on the fifteenth day of the last month of each suc-*
 10 *ceeding quarter of the taxable year. Payment of any install-*
 11 *ment of the estimated tax shall be considered payment on*
 12 *account of the tax for the taxable year.*

13 *“(b) ASSESSMENT.—The estimated tax shall be assessed*
 14 *only to the extent paid.*

15 **“SEC. 60. SPECIAL RULES FOR APPLICATION OF SECTIONS 58**
 16 **AND 59.**

17 *“(a) FARMERS.—In the case of an individual whose*
 18 *estimated gross income from farming for the taxable year*
 19 *is at least 80 per centum of the total estimated gross income*
 20 *from all sources for the taxable year, in lieu of the time*
 21 *prescribed in section 58 (d), the declaration for the taxable*
 22 *year may be made at any time on or before the fifteenth*
 23 *day of the last month of the taxable year.*

24 *“(b) APPLICATION TO SHORT TAXABLE YEARS.—*

1 *The application of sections 58, 59, and 294 (a) (3), (4),*
 2 *and (5) to taxable years of less than twelve months shall be*
 3 *as prescribed in regulations prescribed by the Commissioner*
 4 *with the approval of the Secretary.*

5 “(c) *APPLICATION TO TAXABLE YEARS BEGINNING*
 6 *IN 1943.*—*If the taxable year is the calendar year 1943,*
 7 *the fifteenth day of September, 1943, shall be substituted for*
 8 *the fifteenth day of March for the purposes of section 58 (d).*
 9 *If the taxable year begins in 1943 after January 1, the date*
 10 *which shall be substituted for the fifteenth day of the third*
 11 *month of the taxable year for the purposes of section 58 (d)*
 12 *shall be prescribed by regulations prescribed by the Com-*
 13 *missioner with the approval of the Secretary. In either*
 14 *case installments of the estimated tax for such taxable year*
 15 *payable after September 1, 1943, shall be ratably decreased*
 16 *to reflect the payments on account of a taxable year beginning*
 17 *in 1942 which are treated as payments on account of the*
 18 *estimated tax for a taxable year beginning in 1943.”*

19 “(b) *ADDITIONS TO TAX.*—*Section 294 (a) of the In-*
 20 *ternal Revenue Code (relating to additions to tax in case of*
 21 *nonpayment) is amended by inserting at the end thereof*
 22 *the following:*

23 “(3) *FAILURE TO FILE DECLARATION OF ESTI-*
 24 *MATED TAX.*—*In the case of a failure to make and file a*

1 *declaration of estimated tax within the time pre-*
 2 *scribed, there shall be added to the tax an amount equal*
 3 *to 10 per centum of the tax.*

4 “(4) *FAILURE TO PAY INSTALLMENT OF ESTI-*
 5 *MATED TAX.*—*In the case of the failure to pay an*
 6 *installment of the estimated tax within the time pre-*
 7 *scribed, there shall be added to the tax \$2.50 or $2\frac{1}{2}$ per*
 8 *centum of the tax, whichever is the greater, for each*
 9 *installment with respect to which such failure occurs.*

10 “(5) *SUBSTANTIAL UNDERESTIMATE OF ESTI-*
 11 *MATED TAX.*—*If 80 per centum of the tax (determined*
 12 *without regard to the credits under sections 32, 35, and*
 13 *466 (e)), in the case of individuals other than farmers*
 14 *exercising an election under section 60 (a), or $66\frac{2}{3}$ per*
 15 *centum of such tax in the case of such farmers, exceeds*
 16 *the estimated tax (increased by such credits), there*
 17 *shall be added to the tax an amount equal to such excess,*
 18 *or equal to 6 per centum of the amount by which such tax*
 19 *exceeds the estimated tax so increased, whichever is the*
 20 *lesser. This paragraph shall not apply to the taxable*
 21 *year in which falls the death of the taxpayer.”*

22 (c) *PENALTIES.*—*Section 145 (a) of the Internal Rev-*
 23 *enue Code (relating to criminal penalties) is amended (1)*
 24 *by inserting after “return” wherever appearing therein the*

1 words "or declaration", and (2) by inserting before "tax"
 2 wherever appearing therein the words "estimated tax or".

3 (d) *PAYMENT BY INSTALLMENTS*.—Section 56 (b) of
 4 the Internal Revenue Code (relating to installment pay-
 5 ments) is amended by striking out "The" at the beginning
 6 thereof and inserting in lieu thereof "Except in the case of
 7 an individual (other than an estate or trust and other than
 8 a nonresident alien), the".

9 (e) *TAXABLE YEARS TO WHICH APPLICABLE*.—The
 10 amendments made by this section shall be effective with re-
 11 spect to taxable years beginning after December 31, 1942.

12 **SEC. 6. RELIEF FROM DOUBLE PAYMENTS IN 1943.**

13 (a) *GENERAL RULE*.—The liability of any individual
 14 (other than an estate or trust and other than a nonresident
 15 alien) for the tax imposed by such chapter for the taxable year
 16 1942 shall be discharged as of September 1, 1943, except that
 17 (1) interest and additions to such tax shall be collected at the
 18 same time and in the same manner as, and as a part of, the
 19 tax under such chapter for the taxable year 1943, and (2)
 20 this subsection shall not apply in any case in which the tax-
 21 payer is convicted of any criminal offense with respect to
 22 the tax for the taxable year 1942 or in which additions to
 23 the tax for such taxable year are applicable by reason of
 24 fraud.

1 (b) *SPECIAL RULE WHERE 1942 TAX GREATER*
 2 *THAN 1943 TAX.*—*In the case of a taxpayer any part of*
 3 *whose tax for the taxable year 1942 is discharged under sub-*
 4 *section (a), if such tax (determined without regard to such*
 5 *subsection, without regard to interest and additions to such*
 6 *tax, and without regard to credits against such tax for*
 7 *amounts withheld at source) is in excess of the tax for the*
 8 *taxable year 1943 (determined without regard to this sec-*
 9 *tion, without regard to interest and additions to such tax,*
 10 *and without regard to credits against such tax for amounts*
 11 *withheld at source), the tax for the taxable year 1943 shall*
 12 *be increased by such excess; except that if such taxpayer*
 13 *enters upon active service in the military or naval forces of*
 14 *the United States during the taxable year 1942 or 1943, the*
 15 *tax for the taxable year 1943 shall not be increased by any*
 16 *portion of such excess which is attributable to earned net*
 17 *income (as defined in section 25 (a) (4)), as determined*
 18 *under regulations prescribed by the Commissioner with the*
 19 *approval of the Secretary.*

20 (c) *SPECIAL RULE WHERE INCREASED INCOME.*—

21 (1) *TAX FOR 1942 LESS THAN THAT FOR 1943.*—*In*
 22 *the case of a taxpayer whose tax for the taxable year*
 23 *1942 is discharged under subsection (a), and (in cases*
 24 *in which the tax for such taxable year, determined in*
 25 *the same manner as under subsection (b), is less than*

1 that for the taxable year 1943, similarly determined)
2 whose surtax net income for the base year plus \$10,000
3 is less than that for the taxable year 1942, the liability
4 discharged under subsection (a) shall be limited to an
5 amount equal to a tentative tax computed as if the por-
6 tion of the surtax net income for such taxable year which
7 is not greater than the sum of the surtax net income for
8 the base year plus \$10,000 constituted both the surtax
9 net income for such taxable year 1942, and the net
10 income for such taxable year after allowance of all
11 credits against net income;

12 (2) TAX FOR 1942 NOT LESS THAN THAT FOR
13 1943.—In the case of a taxpayer whose tax for the taxable
14 year 1942 is discharged under subsection (a), and (in
15 cases in which the tax for such taxable year, determined
16 in the same manner as under subsection (b), is equal to
17 or less than that for the taxable year 1942, similarly
18 determined), whose surtax net income for the base year
19 plus \$10,000 is less than that for the taxable year 1943,
20 the liability discharged under subsection (a) shall be
21 limited to an amount equal to a tentative tax for the
22 taxable year 1943 computed as if the portion of the
23 surtax net income for such taxable year which is not
24 greater than the sum of the surtax net income for the
25 base year plus \$10,000 constituted both the surtax net

1 *income for the taxable year 1943, and the net income for*
2 *such taxable year after allowance of all credits against*
3 *net income.*

4 *The portion of the liability which is not discharged under*
5 *subsection (a) by reason of paragraph (1) of this subsection*
6 *shall be discharged, but the tax for the taxable year 1943*
7 *shall be increased by an amount equal to such portion. The*
8 *portion of the liability which is not discharged under sub-*
9 *section (a) by reason of paragraph (2) of this subsection*
10 *shall be discharged, but the tax for the taxable year 1943*
11 *shall be increased by the excess of such portion over the*
12 *amount by which the tax for such taxable year is increased*
13 *under subsection (b). For the purposes of this subsection*
14 *“base year” means any one of the taxable years 1938, 1939,*
15 *or 1940, to be selected by the taxpayer. The amount by*
16 *which the tax for the taxable year 1943 is increased by*
17 *reason of this subsection shall not be held or considered to*
18 *be a part of the tax for such taxable year for the purposes*
19 *of sections 58, 59, 60, and 294 (a) (3), (4), and (5) of*
20 *the Internal Revenue Code. This subsection shall be applied*
21 *in accordance with regulations prescribed by the Commis-*
22 *sioner with the approval of the Secretary.*

23 *(d) EXTENSION OF TIME FOR PAYMENT OF INCREASE*
24 *IN 1943 TAX UNDER SUBSECTION (C).—At the election*
25 *of the taxpayer, made under regulations prescribed by the*

1 Commissioner with the approval of the Secretary, the Com-
2 missioner shall, except as hereinafter provided, extend the
3 time for the payment of the portion of the tax for the taxable
4 year 1943 equal to the increase therein under subsection (c),
5 in which case such portion shall be paid in four equal annual
6 installments, the first of which shall be paid on the fifteenth
7 day of the fifteenth month following the close of the taxable
8 year, and of the remaining installments one of which shall
9 be paid on the last day of each succeeding twelve-month
10 period, except that any installment may be paid prior to the
11 date prescribed for its payment. The Commissioner may
12 condition the extension upon the furnishing by the taxpayer
13 of a bond in such amount, not exceeding the amount of such
14 increase, with such surety or sureties, as the Commissioner
15 deems necessary, conditioned upon the payment of such
16 amount in accordance with the terms of the extension. If the
17 time for the payment of such portion is extended, there shall
18 be collected, as a part of the tax, interest on each installment
19 at the rate of 4 per centum per annum for the period be-
20 ginning with the date prescribed for the payment of the tax
21 for such taxable year and ending with the date on which such
22 installment is paid or the date on which it is payable, which-
23 ever is the earlier. If any installment is not paid on or before
24 the date on which it is payable, it and the remaining install-
25 ments shall be paid upon notice and demand from the

1 *Collector. If any installment is not paid on or before the*
 2 *date on which it is payable, there shall be collected, as part*
 3 *of the tax, interest on such installment at the rate of 6 per*
 4 *centum per annum for the period beginning with the date*
 5 *on which such installment is payable and ending with the*
 6 *date on which it is paid.*

7 *(e) RULES FOR APPLICATION OF SUBSECTIONS (b)*
 8 *AND (c).—The credit against the tax imposed by Chapter 1*
 9 *of the Internal Revenue Code for the taxable year 1943 al-*
 10 *lowed by section 31 of such chapter (relating to taxes of*
 11 *foreign countries and of possessions of the United States),*
 12 *shall be determined without regard to subsections (b) and (c).*
 13 *Sections 105, 106, and 107 of such chapter (relating to*
 14 *limitations on tax) shall be applied without regard to sub-*
 15 *sections (b) and (c). If the taxpayer either for the taxable*
 16 *year 1942 or for the taxable year 1943 makes a joint return*
 17 *with his spouse, the taxes of the spouses for the taxable year*
 18 *for which a joint return is not made shall be aggregated for*
 19 *the purposes of subsections (b) and (c), and in case the tax-*
 20 *able year for which a joint return is not made is the taxable*
 21 *year 1943, the liability for the increase in the tax for the*
 22 *taxable year 1943 under subsections (b) and (c), shall be*
 23 *joint and several.*

24 *(f) SPECIAL RULE WHERE TAXPAYER DIES IN*

1 *TAXABLE YEAR 1942.*—If the individual dies during the
2 taxable year 1942, subsection (a) shall not apply.

3 (g) *TREATMENT OF PAYMENTS ON ACCOUNT OF 1942*
4 *TAX.*—Any payment (other than interest and additions to
5 the tax) made on account of the tax imposed by Chapter 1
6 of the Internal Revenue Code for the taxable year 1942 upon
7 a taxpayer any part of whose liability for such tax is dis-
8 charged under subsection (a) shall be considered as payment
9 on account of the estimated tax for 1943. In the case of any
10 extension of time for the payment of such tax granted by the
11 Commissioner prior to such date, payment of the portion
12 thereof which if such extension had not been granted would
13 have been payable under section 56 (b) prior to such date
14 shall be made notwithstanding subsection (a), but the forego-
15 ing provisions of this subsection shall apply to any such pay-
16 ment. In case the taxpayer becomes delinquent, prior to Sep-
17 tember 1, 1943, in the payment of such tax or any installment
18 thereof, subsection (a) shall not relieve the taxpayer of his
19 liability for the tax, but the foregoing provisions of this sub-
20 section shall be applicable to payment of such liability. If
21 any payment on account of the tax imposed by such chapter
22 for the taxable year 1942 is made pursuant to a joint return
23 made by husband and wife for such taxable year, and such
24 payment is considered as a payment on account of the esti-

1 mated tax for the taxable year 1943, such payment may be
 2 treated as a payment on account of the estimated tax of either
 3 the husband or the wife for such taxable year or may be
 4 divided between them.

5 (h) *USE OF TERM "TAXABLE YEAR".*—For the pur-
 6 poses of this section the terms "taxable year 1938", "taxable
 7 year 1939", "taxable year 1940", "taxable year 1942", and
 8 "taxable year 1943" mean, respectively, the taxable year be-
 9 ginning in 1938, 1939, 1940, 1942, and 1943, respectively;
 10 and "taxable year" as applied to the taxable year 1942 or
 11 1943 shall not include any period of less than twelve months
 12 unless occasioned by the death of the taxpayer or unless there
 13 is no taxable year of twelve months beginning in such calendar
 14 year.

15 **SEC. 7. ADDITIONAL ALLOWANCE FOR MEMBERS OF ARMED**
 16 **FORCES.**

17 (a) *IN GENERAL*—Section 22 (b) (13) of the In-
 18 ternal Revenue Code (relating to additional allowance for
 19 military and naval personnel in computing net income) is
 20 amended to read as follows:

21 "(13) *ADDITIONAL ALLOWANCE FOR MILITARY*
 22 *AND NAVAL PERSONNEL.*—In the case of compensation
 23 received during any taxable year and before the termi-
 24 nation of the present war as proclaimed by the President,

by a member of the military or naval forces of the United States for active service in such forces during such war, so much of such compensation as does not exceed \$1,500."

(b) *EFFECTIVE DATE.*—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1942.

**SEC. 8. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES
UPON DEATH.**

Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

**"Supplement U—Abatement of Tax for Members of Armed
Forces Upon Death**

**"SEC. 421. ABATEMENT OF TAX FOR MEMBERS OF ARMED
FORCES UPON DEATH.**

"In the case of any individual who dies on or after December 7, 1941, while in active service as a member of the military or naval forces of the United States and prior to the termination of the present war as proclaimed by the President, the tax under this chapter (including interest, additions to the tax, and additional amounts) attributable to earned net income (as defined in section 25 (a) (4)) received or accrued by him shall not be assessed, and if assessed, the assessment shall be abated, and if collected shall be

1 *credited or refunded as an overpayment, in the following*
2 *amounts and for the following taxable years:*

3 “(1) if such individual entered upon such service
4 before the commencement of the taxable year beginning
5 in 1943:

6 “(A) the entire amount of the tax so attributable
7 for the taxable year in which falls the date on which
8 he entered upon such service or September 16, 1940,
9 whichever date is the later;

10 “(B) the entire amount of the tax so attributable
11 for all subsequent taxable years during which he was
12 in such service; and

13 “(C) that portion of the tax so attributable for
14 the taxable year last preceding the date on which he
15 entered upon such service or September 16, 1940,
16 whichever date is the later, which bears the same
17 ratio to the total tax so attributable as the number of
18 quarters in the taxable year described in subpara-
19 graph (A) subsequent to the date on which he entered
20 upon such service or September 16, 1940, whichever
21 date is the later, bears to four; or

22 “(2) if such individual entered upon such service
23 during the taxable year beginning in 1943:

“(A) that portion of the tax for the taxable year beginning in 1943, reduced by the increase under section 6 (b) of the Current Tax Payment Act of 1943, which bears the same ratio to the total tax so reduced as the number of quarters in such taxable year subsequent to the date on which he entered upon such service bears to four, to the extent that such portion is so attributable; and

“(B) the entire amount of the tax so attributable for all subsequent taxable years during which he was in such service; or

“(3) if such individual entered upon such service after the close of the taxable year beginning in 1943, the entire amount of the tax so attributable for all taxable years during the whole of which he was in such service.

The computations required by this section shall be made in conformity with regulations prescribed by the Commissioner with the approval of the Secretary. For the purposes of this section, a fractional part of a quarter shall be disregarded unless it exceeds fifteen days, in which case it shall be considered a quarter.”

SEC. 9. ASSISTANT COMMISSIONERS.

Subchapter B of Chapter 39 of the Internal Revenue Code is amended to read as follows:

1 **"SUBCHAPTER B—ASSISTANT COMMISSIONERS**

2 **"SEC. 3905. APPOINTMENT.**

3 *"There shall be in the Bureau of Internal Revenue two*
 4 *Assistant Commissioners, who shall be appointed by the Pres-*
 5 *ident, by and with the advice and consent of the Senate.*

6 **"SEC. 3906. DUTIES.**

7 *"The Assistant Commissioners shall perform such duties*
 8 *as may be prescribed by the Commissioner or required by*
 9 *law."*

10 **SEC. 10. EXTENSION OF TIME IN CONNECTION WITH RELEASE**
 11 **OF POWERS OF APPOINTMENT.**

12 *Section 403 (d) (3) of the Revenue Act of 1942 is*
 13 *amended by striking out "July 1, 1943" wherever it appears*
 14 *and inserting in lieu thereof "March 1, 1944"; and section*
 15 *452 (c) of the Revenue Act of 1942 is amended to read as*
 16 *follows:*

17 **"(c) RELEASE ON OR BEFORE MARCH 1, 1944.—**

18 *"(1) A release of a power to appoint before March*
 19 *1, 1944, shall not be deemed a transfer of property by the*
 20 *individual possessing such power.*

21 *"(2) This subsection shall apply to all calendar*
 22 *years prior to 1944 and to that part of the calendar year*
 23 *1944 prior to March 1, 1944."*

Passed the House of Representatives May 4, 1943.

Attest:

SOUTH TRIMBLE,

Clerk.

78TH CONGRESS
1ST SESSION

H. R. 2570

[Report No. 221]

AN ACT

To provide for the current payment of the individual income tax, and for other purposes.

MAY 5 (legislative day, MAY 3), 1943

Read twice and referred to the Committee on Finance

MAY 10 (legislative day, MAY 3), 1943

Reported with an amendment

CURRENT TAX PAYMENT ACT OF 1943

MAY 10 (legislative day, MAY 3), 1943.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 2570]

The Committee on Finance, to whom was referred the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, having had the same under consideration, report favorably thereon, with certain amendments, and, as amended, recommend that the bill do pass.

GENERAL STATEMENT

Your committee recognizes the necessity of adopting a system of current payment of individual income taxes. Under the present system, the taxpayer does not pay his tax until the year following the earning of his income. This lag in tax payments, which has been a part of our internal-revenue system, beginning with the Revenue Act of 1913, did not result in any inequities when the rates were low and the taxpayer could meet his taxes out of one pay check. However, with the increasing rates, particularly those necessitated by the war, it has become more and more difficult for the taxpayer to meet his tax obligations on the due date. Unless some practical method is adopted to permit the tax to be paid in the year in which the income is earned, considerable hardship will result to the taxpayer as well as a loss of revenue to the Government.

Your committee bill enables us to avoid the 1-year lag in our present tax payment. By permitting the taxpayer to pay his income tax in the year in which the income is earned, many of the inequities of the present system will be eliminated. It will afford substantial relief in cases where incomes cease or decline severely because the taxpayers enter the armed forces, lose their jobs, retire, or die. And, it will permit the Government to secure revenue on income as it is earned, and thereby make more certain the collection of the revenue. It will also make it unnecessary to pass retroactive increased tax legislation which has resulted in so much uncertainty and inequity in the past.

There was no disagreement in the committee as to the method of placing taxpayers on a current basis. In general, this method is the same as that prescribed in both the Ways and Means Committee bill and the Ruml-Carlson substitute, which was pending before the House. However, our committee has made several amendments to the House bill which simplified the withholding provisions, in order to lessen the burden upon the employees.

In order to make the change as to a complete pay-as-you-go system, it is necessary to make some adjustments of the tax on 1942 income. The only differences which developed in the committee were as to the treatment of the tax on 1942 income. A majority of the committee was of the opinion that the entire 1942 liability should be abated or canceled, except such part of the liability as could be recouped through certain windfall provisions. There were others on the committee who believed that less of the 1942 tax should be canceled than is provided in your committee bill.

GENERAL DISCUSSION OF BILL

For the purpose of this discussion, the bill may be divided into the following parts:

- Part I. Current Payment of Individual Income Taxes for 1943 and Subsequent Years.
- Part II. Treatment of 1942 Taxes.
- Part III. Soldiers' and Sailors' Relief.
- Part IV. Miscellaneous Provisions.
- Part V. Revenue Estimates.

PART I. CURRENT PAYMENT OF INDIVIDUAL INCOME TAXES

In our committee there was no disagreement as to the methods for placing taxpayers upon a current basis.

The subject may be discussed under two headings:

- (a) Withholding as to wages and salaries.
- (b) Current payment of tax not collected at the source.

The withholding provisions will be first discussed and then the methods of collecting currently taxes not withheld at the source.

(A) WITHHOLDING AS TO WAGES AND SALARIES

Under the bill, a new withholding system will be inaugurated as of July 1, 1943, with respect to wages and salaries only. For the purpose of this discussion, the system will be explained with reference to the following taxpayers:

- (1) *Taxpayers subject both to the income tax and the Victory tax.*

In the case of taxpayers subject both to the income tax and the Victory tax, withholding will be at a rate of 20 percent. Of this 20 percent, 3 percent will cover the Victory tax and 17 percent will cover the general income tax.

This 20 percent rate will apply to the wages and salaries above the following withholding exemption:

- \$624 in the case of a single person.
- \$1,248 in the case of a married person.
- \$312 in the case of each dependent.

The following table shows the amount of the withholding exemption according to the payroll period:

Family status withholding exemptions

Payroll period	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent other than the first dependent in the case of the head of a family
Weekly	\$12.00	\$24.00	\$12.00	0	\$6.00
Biweekly	24.00	48.00	24.00	0	12.00
Semi-monthly	26.00	52.00	26.00	0	13.00
Monthly	52.00	104.00	52.00	0	26.00
Quarterly	156.00	312.00	156.00	0	78.00
Semiannual	312.00	624.00	312.00	0	156.00
Annual	624.00	1,248.00	624.00	0	312.00
Daily or miscellaneous (per day of such period) ..	1.70	3.40	1.70	0	.85

Thus the employer will subtract the withholding exemption from the wage payment and compute the 20-percent rate on the remainder.

(2) *Taxpayers subject only to the Victory tax.*

While the rate of withholding to be applied is 20 percent, a provision is inserted in the law to the effect that the tax to be withheld shall in no event be less than 3 percent of the amount in excess of \$624. This 3 percent is necessary to insure withholding of the Victory tax in the case of married persons with incomes between \$624 and the withholding exemption for married persons. The 3-percent rate (the net Victory tax rate) was adopted to eliminate many of the refunds which might have to be made in the next year when the taxpayer files his final return and takes credit against his Victory tax for the amount of the tax withheld. Since under the present law the taxpayer is entitled to certain current credits against his 5-percent Victory tax for debt repayment, insurance premiums, and purchase of Government bonds, if he takes advantage of this credit there would be additional refunds required under withholding at a 5-percent rate. By withholding on a net basis of 3 percent, many of the refunds and adjustments will be eliminated.

The schedule of Victory tax withholding exemptions for the withholding rate of 3 percent is as follows:

Payroll period:	<i>Victory tax withholding exemption</i>
Weekly	\$12.00
Biweekly	24.00
Semi-monthly	26.00
Monthly	52.00
Quarterly	156.00
Semiannual	312.00
Daily or miscellaneous (per day of such period)	1.70

(3) *Taxpayers subject only to the income tax.*

There will be some single taxpayers whose wages and salaries are subject to the regular income tax but below the Victory tax exemption of \$624. In such cases withholding will not apply but the tax will be payable at the end of the year when the annual return is filed.

(4) *Special provisions.*

Under the bill, the wages for the purpose of the withholding computation method may be computed to the nearest dollar. For example, if the taxpayer's wage was \$20.30, the employer may treat such wage as \$20 for this purpose. The Commissioner may authorize employers to withhold at an estimated average wage level for a quarter, subject to adjustments at the end of the quarter for the actual payments received.

It is believed that these improvements will greatly simplify the burden upon the employer, and permit more elasticity in adapting withholding to his particular accounting system.

Under the bill, the employer instead of making an actual computation of the amount withheld, may elect to determine the tax to be withheld through the use of tables, incorporated in the law. These tables are explained under the heading "Withholding Tables."

COMPENSATION EXEMPT FROM WITHHOLDING

The following compensation is not subject to withholding at the source:

(1) Services performed as a member of the military or naval forces of the United States, other than pensions and retired pay includible in gross income.

(2) Agricultural labor (as defined in the Social Security Act).

(3) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority.

(4) Casual labor not in the course of the employer's trade or business.

(5) Services by a citizen or resident of the United States for a foreign government or for the government of the Commonwealth of the Philippines.

(6) Services performed by a nonresident alien individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals, or for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary.

(7) Services for an employer performed by a citizen or resident of the United States while outside the United States (as defined in sec. 3797 (a) (9) if the major part of the services for such employer during the calendar year is to be performed outside the United States. Services performed on or in connection with an American vessel under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration, shall not constitute services performed outside the United States.

(8) Services performed as a minister of the gospel.

Your committee was of the opinion that compensation received for services performed by a minister of the gospel should be exempt from the withholding tax. This will relieve a great many churches from

the requirement of withholding, as the minister in many instances is the only person who receives compensation subject to withholding. In the case of other persons employed by the church, if they receive sufficient compensation to come within the withholding provisions, it is believed that the church in retaining the proper portion of the employee's wages and turning it over to the Government will be performing a real service to the employee, not only in making it easier for him to pay his tax to the Government but also in assisting him by providing a check on the rising cost of living.

PERSONS REQUIRED TO WITHHOLD

Every employer from whom an individual receives wages as the employee of such person is required to withhold and deduct the amount required to be withheld. However, in certain special cases the person who pays the wages or the person who has control of the payment of the wages is treated as the employer. For example, pensions paid by the fiduciaries of certain pension trusts to retired employees under a pension plan.

METHOD OF WITHHOLDING

The employer will start deducting from salaries and wages under the bill as of July 1, 1943. Since the deduction is based upon the employee's current rate of pay, taking into account the personal exemption and credit for dependents, it is necessary for the employee to inform the employer of his personal status and the number of his dependents, so the employer can determine the amount of tax to be withheld. The bill requires that this information be furnished by the employee to the employer through a signed withholding exemption certificate. The certificate is to be in such a form as may be prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury.

In order to give employers ample time to adjust their pay rolls, the employer is not required to give effect to a new certificate showing a change in status immediately but changes in status are recognized on either January 1 or July 1, as the case may be.

WITHHOLDING TABLES

At the election of the employer, the amounts to be withheld may be determined by the use of tables which are incorporated in the law. Under these tables, the income tax and Victory tax are combined in a single amount to be deducted from each wage payment. The employer who uses these tables can determine the amount to be deducted from his employee's wage check without being required to make precise computations. There are 5 tables set out in the law covering daily or miscellaneous, weekly, biweekly, semimonthly, and monthly payroll periods. The tax is computed according to the status of the taxpayer, that is, whether he is single, married, the head of a family, or has dependents. For the purpose of illustration, the following table taken from the bill is set forth below:

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has—					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount of tax to be withheld shall be—					
\$0.....	\$10.....						
\$10.....	\$15.....						
\$15.....	\$20.....	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
\$20.....	\$25.....	.30	.30	.30	.30	.30	.30
\$25.....	\$30.....	.70	.50	.50	.50	.50	.50
\$30.....	\$40.....	2.20	1.00	.70	.70	.70	.70
\$40.....	\$50.....	4.20	3.00	1.80	1.00	1.00	1.00
\$50.....	\$60.....	6.20	5.00	3.80	2.60	1.40	1.30
\$60.....	\$70.....	8.20	7.00	5.80	4.60	3.40	2.20
\$70.....	\$80.....	10.20	9.00	7.80	6.60	5.40	4.20
\$80.....	\$90.....	12.20	11.00	9.80	8.60	7.40	6.20
\$90.....	\$100.....	14.20	13.00	11.80	10.60	9.40	8.20
\$100.....	\$110.....	16.20	15.00	13.80	12.60	11.40	10.20
\$110.....	\$120.....	18.20	17.00	15.80	14.60	13.40	12.20
\$120.....	\$130.....	20.20	19.00	17.80	16.60	15.40	14.20
\$130.....	\$140.....	22.20	21.00	19.80	18.60	17.40	16.20
\$140.....	\$150.....	24.20	23.00	21.80	20.60	19.40	18.20
\$150.....	\$160.....	26.20	25.00	23.80	22.60	21.40	20.20
\$160.....	\$170.....	28.20	27.00	25.80	24.60	23.40	22.20
\$170.....	\$180.....	30.20	29.00	27.80	26.60	25.40	24.20
\$180.....	\$190.....	32.20	31.00	29.80	28.60	27.40	26.20
\$190.....	\$200.....	34.20	33.00	31.80	30.60	29.40	28.20
\$200 or over.....		20% of the excess over \$200 plus					
		\$35.20	\$34.00	\$32.80	\$31.60	\$30.40	\$29.20

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$1.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$200 or over of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

The operation of the table is shown by the following example:

Assume that John Smith earned a wage of \$75 per week and that he has filed with his employer a certificate claiming the full personal exemption allowed a married man without dependents. By looking at the first two columns of the table, we find that his wage falls in the columns where the wages are at least \$70 but less than \$80. Under the third column, opposite the "\$70 but less than \$80" group, we find the figure \$10.20. This is the amount the employer must deduct each week from his employee's pay check and turn over to the Government. If such employee had one dependent and proper certificate of exemption were filed, the employer would deduct \$9 from his pay check. This is the amount in the fourth column opposite the "\$70 but less than \$80" group.

The formula in the note is explained by the following:

If John Smith has seven dependents and proper certificate of exemption is filed, the employer will compute the amount to be withheld in accordance with the formula supplied at the bottom of the table. According to such formula, the employer determines that, subject to the minimum withholding, the amount to be withheld is

the amount applicable in the case of five dependents (namely, \$4.20), minus \$1.20 for each dependent over five. Since there are two dependents over five, the subtraction will be \$2.40 (two times \$1.20), leaving \$1.80 cents as the tentative amount to be withheld. Under the formula, however, the employer is told that in no event shall he withhold less than 3 percent of the excess of the median wage in the bracket in which the wages paid fall over \$12, computed to the nearest multiple of 10 cents. The median wage in the bracket in question is \$75 (being the wage half-way between \$70 and \$80) and the excess of this median wage over \$12 is \$63. Three percent of \$63 is \$1.89, and the multiple of 10 cents nearest this amount to be withheld will be \$1.90. Hence the amount to be withheld will be \$1.90.

The application of the formula appearing at the bottom of the table has been worked out in detail in the example above. Thus, the formula is merely a formula for extending the table in the case of dependents more than the number of five shown in the table.

EMPLOYERS' RETURNS

The employer is required to return and pay over the tax withheld from his employee in accordance with the provisions of chapter 9 of the Internal Revenue Code relating to social-security taxes.

RECEIPTS

The employer is required to furnish to each employee with respect to his employment during the calendar year a written statement showing the wages paid during such calendar year and the amount of tax withheld with respect to such wages. If the employee's services are terminated before the close of the calendar year, the receipt is required to be furnished on the day on which the last payment of wages is made. The employer is required to attach copies of these receipts to the final quarterly return so that they may be checked against the returns filed by the individual wage earners.

The Commissioner of Internal Revenue, under regulations approved by the Secretary, is authorized to grant a reasonable extension of time (not in excess of 30 days) with respect to the receipts required to be furnished to employees.

DEPOSIT OF WITHHOLDING FUNDS

In order to enable employers to deposit the amounts withheld from employees with the Government at an early date, the Secretary of the Treasury may authorize incorporated banks or trust companies which are depositories or financial agents of the United States to receive the amounts withheld at such times and under such conditions as he may prescribe. If the Secretary provides proper depositories for these funds, the employers will not have to hold the funds in their possession until their returns are filed with the collector.

QUICK REFUNDS

The Commissioner is authorized to delegate, with the approval of the Secretary, to the collectors authority to make refunds where the amount involved does not exceed \$1,000. This provision is for the purpose of facilitating the making of refunds.

(B) CURRENT PAYMENT OF TAX NOT COLLECTED AT SOURCE

Your committee found it impracticable to apply the withholding provisions to income other than wages as defined in the bill. Therefore, taxpayers receiving income from business, farming, rents and royalties, interest and dividends, wages received for domestic service in a private home, and wages received from agricultural labor are not included in the withholding provisions of the bill.

There are also some taxpayers who, although subject to withholding, receive salaries above the Victory tax, normal tax, and first surtax bracket rate. It is necessary, therefore, that some system other than withholding be devised to make such taxpayers current.

Your committee has, therefore, placed these taxpayers upon a pay-as-you-go basis by requiring them to estimate their tax for the current year and pay such estimated tax within the year. Accordingly, a taxpayer is required to prepare and file a declaration estimating his tax for the current year if his gross income is above the following amounts:

Under the conditions set forth in section 58 (a), every individual who, at the time prescribed for the making of the declaration, is single or is married but not living with husband or wife shall make and file a declaration of his estimated tax for the taxable year if—

(1) His gross income from wages (as defined in sec. 1621) can reasonably be expected to exceed \$2,700 for the taxable year; or

(2) His gross income from wages (as defined in sec. 1621) did exceed \$2,700 for the preceding taxable year; or

(3) It can reasonably be expected that for the taxable year his gross income from sources other than wages (as defined in sec. 1621) will exceed \$100 and his gross income from all sources will amount to \$500 or more; or

(4) His gross income for the preceding taxable year from sources other than wages (as defined in sec. 1621) did exceed \$100 and his gross income from all sources for the preceding taxable year was \$500 or more.

Every individual who, at the time prescribed for the making of the declaration, is married and living with husband or wife shall make a declaration of his estimated tax for the taxable year if—

(1) It can reasonably be expected that for the taxable year, such individual will receive gross income from wages (as defined in sec. 1621) and the aggregate gross income of such individual and such spouse from wages will exceed \$3,500; or

(2) In the preceding taxable year, such individual received gross income from wages (as defined in sec. 1621) and the aggregate gross income of such individual and such spouse from wages exceeded \$3,500; or

(3) It can reasonably be expected that for the taxable year such individual will receive gross income from sources other than wages (as defined in sec. 1621), the aggregate gross income of such individual and such spouse from sources other than wages will exceed \$100, and (a) the gross income from all sources of such individual will exceed \$624, or (b) the aggregate gross income of such individual and such spouse from all sources will amount to \$1,200; or

(4) In the preceding taxable year such individual received gross income from sources other than wages (as defined in sec. 1621), the aggregate gross income of such individual and such spouse from sources other than wages exceeded \$100, and (a) the gross income from such sources of such individual for the preceding taxable year exceeded \$624, or (b) the aggregate gross income from all sources of such individual and such spouse for the preceding taxable year was \$1,200 or more.

Since persons receiving wages of not more than \$2,700, if single, and \$3,500, if married, will have substantially the full tax liability discharged by collection at the source, the requirements for filing a declaration have been so fixed as to make it unnecessary for such taxpayers to make declaration of estimated tax except in those cases where their income from sources other than wages is more than a nominal amount (\$100). This will make it unnecessary for about 70 percent of the taxpayers to file declarations, thus leaving only 30 percent, or 14,000,000 out of 44,000,000 taxpayers who will have to make a declaration of estimated tax.

If husband and wife make a joint declaration, but do not make a joint return for the taxable year, the amounts paid on account of the estimated tax for such year may be treated as payments on account of the tax liability of either husband or wife for the taxable year, or may be divided between them in any manner they see fit. In the case of a joint declaration the liability with respect to the estimated tax shall be joint and several.

In determining whether a person is single or married, it is necessary to consider his status at the time the declaration is required to be made.

TIME FOR FILING DECLARATION AND PAYMENT OF THE ESTIMATED TAX

Every individual whose income exceeds the amounts specified above will be required to file his estimate (except in the case of farmers and individuals on a fiscal-year basis) on or before March 15 of the current taxable year. Therefore an individual declaring his estimated tax for the calendar year 1944 will be required to file his declaration of his estimated tax on or before March 15, 1944. This estimate may be revised at the election of the taxpayer and, if so revised, an amended declaration must be filed on or before June 15, September 15, or December 15, respectively.

The declaration must be filed with the collector of internal revenue for the taxpayer's district. The Commissioner is authorized to grant a reasonable extension of time for filing declarations and paying the estimated tax not to exceed 6 months, except in the case of taxpayers abroad.

The tax must be paid in four equal installments. The first installment will be paid in the case of a calendar year taxpayer on March 15, the second installment on June 15, the third installment on September 15, and the fourth installment on December 15 of the current taxable year. However, the taxpayer may elect to pay his estimated tax in advance if he desires to do so. If he files an amended declaration, the remaining installments will be increased or decreased, as the case may be, to reflect the change in the estimate. For example, suppose a taxpayer filed a declaration of the estimated tax for the calendar year

1944 in the amount of \$600. An installment of \$150 is paid at the time of filing the return. On June 15, 1944, he filed an amended declaration disclosing an estimated tax for the taxable year of \$300 instead of \$600 as originally estimated. As a result of the revised estimate, his next three installment payments will each be \$50.

CONTENTS OF THE DECLARATION

The declaration shall state the following:

- (1) An estimate of the individual's income tax and Victory tax after current insurance, debt, and bond credits for the taxable year, without any deduction for amounts withheld at the source.
- (2) An estimate of the amounts withheld at the source.
- (3) The difference remaining, which is called the estimated tax.

FINAL RETURN

The final return will be filed as at present on or before the 15th day of the third month following the close of the taxable year. On this return, adjustments will be made for differences between the estimated or withheld tax, and the correct tax reported by the taxpayer. In the case of the calendar year 1944, the final return will be filed on March 15, 1945.

RULE AS TO FARMERS

A special rule applies to farmers. If the gross income of an individual from farming for the taxable year is at least 80 percent of the total estimated gross income from all sources, such an individual may file a declaration of the estimated tax at any time on or before December 15 of the taxable year if the taxpayer is on a calendar-year basis.

ADDITIONS TO THE TAX AND PENALTIES

If 80 percent of the tax determined without regard to the credits for tax withheld at source (66½ percent in the case of farmers) exceeds the estimated tax, increased by such credits, there is added to the tax an amount equal to such excess, or equal to 6 percent of the amount by which the tax so determined exceeds the estimated tax so increased, whichever is the lesser. For failure to file a declaration of the estimated tax within the time prescribed by law, there is added to the tax an amount equal to 10 percent of the tax. If any installment of the estimated tax is not paid when due, there is added to the tax \$2.50, or 2½ percent of the tax, whichever is greater, for each installment with respect to which such failure occurs. Other penalties are imposed for willful failure to file a declaration, or pay the estimated tax.

FISCAL YEARS

Fiscal-year taxpayers are required to file declarations of their estimated income on or before the 15th day of the third month of the current taxable year. Thus, if a taxpayer had a fiscal year beginning April 1, 1944, and ending March 31, 1945, he would file a declaration of his estimated tax for such fiscal year on June 15, 1944. His estimated tax would be paid in four equal installments, that is, on June

15, 1944, September 15, 1944, December 15, 1944, and March 15, 1945, respectively. Fiscal-year taxpayers are also permitted to amend their estimate and make adjustments in their estimated tax, if they desire to do so.

SPECIAL RULE FOR 1943

With respect to the year 1943, the withholding provisions will go into operation as of July 1. Since most taxpayers have already filed their 1942 returns on March 15, their payments on March 15 and June 15, 1943, will be treated as payments in respect of their 1943 tax liability. Taxpayers on the calendar year basis who are required to file declarations of their estimated tax, will file their first declaration for 1943 on September 15, and their payments made in March and June will be treated as payments of their estimated 1943 tax. An amended declaration may be filed on December 15, if the taxpayer desires to amend his estimate. A farmer on the calendar-year basis, meeting the definition of the law, may make his declaration of his estimated tax for 1943 on or before December 15 and pay the estimated tax due.

PART II. TREATMENT OF 1942 LIABILITY

Your committee bill, in order to prevent double payments resulting from a change to a completely pay-as-you-go system, has provided for complete cancellation of the 1942 liability as of September 1, 1943. In case a taxpayer dies in 1942, no part of his 1942 tax is canceled. The payments in respect of the 1942 liability which were made in March and June of 1943 will be treated as payments on account of the estimated tax for 1943. In order to avoid windfalls, a part of the 1942 liability is recouped in certain cases.

(1) WHERE 1942 TAX IS GREATER THAN 1943 TAX

The first windfall rule is applied where the 1942 tax is greater than the 1943 tax. In such cases, the tax for 1943 is increased by the amount by which the 1942 tax exceeds the 1943 tax. The effect of such a rule is that the tax for 1943 is canceled instead of the tax for 1942. It insures that, while there will be no doubling up of tax payments, the taxpayer must pay at least the tax he would pay under existing law. This special windfall provision is not applied to a taxpayer who entered the armed service during the taxable years 1942 or 1943, with respect to that portion of his 1942 tax which is attributable to earned net income. Earned income is defined as income from wages, salaries, professional fees and other amounts received as compensation for personal services. Earned net income is the earned income less deductions properly chargeable against earned income.

If the taxpayer's net income is not more than \$3,000, his entire net income shall be considered to be earned net income, and if his net income is more than \$3,000, his earned income shall not be considered to be less than \$3,000. In no case shall the earned net income be considered to be more than \$14,000. The effect of this last provision is to abate the higher year 1942 instead of the year 1943, with respect to the tax on the earned net income of servicemen. This will afford relief to persons in the armed forces whose earned

net income in 1942 was considerably higher than their service pay for 1943.

The following examples will show the effect of this rule:

Example I. (Civilian taxpayer.)

If an individual's tax for 1942 is \$405 and his tax for 1943 is \$188, he will be required to pay \$405 as his tax for 1943. Thus, he is not forgiven the tax for the higher year.

Example II. (Soldier or sailor entering active service during 1942 or 1943.)

Assume a married man with a salary of \$10,000 was liable to a tax of \$2,152 for the year 1942, and he entered the service as a private in 1943. He had no tax to pay for the year 1943. The effect of this relief provision is to cancel his entire \$2,152 tax.

Assume a married man had a net income arising solely from compensation for services of \$100,000 for 1942 and that his tax for that year amounted to \$64,000, that he entered the service in 1943, and his net income for that year amounted to \$5,000, and his tax amounted to \$746. The effect of the bill would be to cancel only that part of the 1942 tax in excess of the 1943 tax which is attributable to earned net income.

(2) SPECIAL RULE WHERE INCOME FOR 1942 OR 1943 IS GREATER THAN INCOME FOR BASE YEAR PLUS \$10,000

A special tax is imposed where the surtax net income of the taxable year 1942 or 1943, whichever year has the lowest tax liability, exceeds the highest surtax net income for 1938, 1939, or 1940, plus \$10,000. This provision is designed so as not to forgive the tax on substantial increases of income in the current year over the income of pre-war years.

To determine the tax in such cases, the following steps must be taken:

(a) Compare the tax for 1942 with the tax for 1943.

(b) If the tax for 1942 is less than the tax for 1943, the 1942 liability to be discharged shall in effect be limited to a tentative tax computed as if the surtax net income for 1942 were not greater than the sum of the surtax net income for the base year, plus \$10,000. For this purpose, such sum is deemed to constitute the surtax net income for 1942, and the net income for 1942 after allowance of all credits against net income. The taxpayer is given the option of selecting either the year 1938, 1939, or 1940 as the base year.

The effect of this rule is to limit the amount of the 1942 tax to be discharged to the 1942 tax on an amount equivalent to the surtax net income for the normal period, plus \$10,000. The amount of the 1942 liability in excess of this special tax is added as a part of the tax for the year 1943. The example below will show how this provision is applied:

If the tax for 1942 is not less than the tax for 1943, the tentative tax is computed at the 1943 rates as if the portion of the surtax net income for 1943 were not greater than an amount equal to the sum of the surtax net income for the base period year, plus \$10,000. For this

purpose, such amount shall constitute both the surtax net income for 1943 and the net income for 1943, after allowance of all credits against net income. This tentative tax will represent that part of the liability which is discharged. The balance of the 1942 liability which is in excess of the amount added to the 1943 tax by the first windfall provision is also added as a part of the 1943 tax. The following examples will show the tax effect under these provisions:

Examples of effects of antiwindfall provisions for cases where 1942 and 1943 surtax net incomes both exceed the highest surtax net income for the years 1938-40—Married person, no dependents

Surtax net income			Tentative tax on normal income plus \$10,000	Additional amount to be added to 1943 tax		Tax on 1943 income	Total tax
Highest 1938, 1939, or 1940	1942	1943		Difference between 1942 and 1943 if 1942 tax exceeds 1943 tax	Additional amount added by reason of comparison with base year		
\$5,000-----	\$25,000	\$20,000	\$5,128	\$2,152	\$2,636	\$7,764	\$12,552
\$2,000-----	25,000	50,000	3,380	-----	6,536	27,844	34,380

As pointed out, the amount of the 1942 liability which is not discharged is added to the 1943 tax. The payment of this excess amount at the time of the payment of the 1943 tax of the taxpayer may cause undue hardship. To relieve the taxpayer of this hardship, the Commissioner is required, upon the request of the taxpayer, to extend the time for the payment of such excess portion of the 1943 tax. Under the terms of such an extension, the tax shall be paid in four installments, the first to be paid on the 15th day of the third month following the close of the taxable year (March 15, 1945, if on a calendar-year basis) and the one of remaining installments on the last day of each succeeding 12-month period. Any installment may be paid prior to the date prescribed for its payment, and the Commissioner may require sufficient security to protect the interest of the Government.

EXTENSION OF TIME FOR PAYMENT OF INCREASE IN 1943 TAX

If the time for the payment of such excessive portion is extended, interest will be collected on each installment at the rate of 4 percent per annum for the period beginning with the date prescribed for the payment of the 1943 tax and ending with the date on which such installment is paid or the date on which it is payable, whichever is earlier. If any installment is not paid on the date on which it is payable, interest will be collected at the rate of 6 percent per annum from such date until paid. If any installment is not paid on its due date, such installment and the remaining installments will be paid upon notice and demand from the collector.

PART III. SOLDIERS' AND SAILORS' RELIEF

Under existing law, so much of the pay received from the United States before the termination of the present war by personnel below the grade of commissioned officer in the military or naval forces of the United States for active service in such forces during such war,

as does not exceed \$250 in the case of a single person or \$300 in the case of a married person is excluded from gross income. This amounts, in effect, to an exemption of \$1,500 in the case of a married man and to \$750 in the case of a single man. Your committee has extended this relief as follows:

(1) In lieu of the exclusions of existing law, your committee has excluded from gross income so much of the compensation as does not exceed \$1,500. Unlike the exclusion in existing law, this exclusion is allowed to all members of the military or naval forces for active service in such forces during the war, even though the recipient is not below the grade of a commissioned officer.

(2) Your committee has adopted a special provision granting relief from income taxes in the case of members of the armed forces dying after December 7, 1941. The provision is limited to taxes attributable to earned net income and contains other limitations which are set forth in the technical part of the report.

PART IV. MISCELLANEOUS PROVISIONS

POWERS OF APPOINTMENT

Your committee has extended the time in connection with the release of powers of appointment for estate and gift tax purposes from July 1, 1943, to March 1, 1944.

ASSISTANT COMMISSIONERS

Your committee has provided for two Assistant Commissioners, in the Bureau of Internal Revenue, who shall be appointed by the President, by and with the advice of the Senate, in place of the present Assistant to the Commissioner.

PART V. REVENUE ESTIMATES

Under the Finance Committee bill the tax liabilities for the calendar years 1942 and 1943, considered together, will be reduced by approximately \$9,275,000,000, as compared with the liabilities under present law. The House bill would have reduced the total liability for these 2 calendar years by about \$8,404,000,000. Details and comparisons with other bills considered are shown in the following table:

Comparison of calendar year 1942 and calendar year 1943 income and net Victory-tax liabilities under various alternatives

[In millions of dollars]

	Calendar year 1942 liability		Calendar year 1943 liability		Increase (+) or decrease (-) calendar year 1942 and 1943 over present law
	Amount	Increase (+) or decrease (-) over present law	Amount	Increase (+) or decrease (-) over present law	
Present law.....	9,815		14,716		
Finance Committee bill.....	0	-9,815	15,256	540	-9,275
House bill.....	2,213	-7,602	13,914	-802	-8,404
Ways and Means Committee bill:					
Maximum discount taken.....	4,493	-5,322	13,914	-802	-7,728
Minimum discount taken.....	4,780	-5,035	13,914	-802	-7,441
Carlson bill.....	0	-9,815	15,047	+331	-9,484

As a result of windfall provisions, and the fact that liabilities on higher incomes will be collected sooner than under present law, by reason of withholding at the source and current payment, income tax liabilities due under this bill in the fiscal year 1944 are expected to be approximately \$2,012,000,000 greater than the amount due under present law. So long as incomes continue to rise, as no doubt they shall during the war years, your committee bill will yield more revenue to the Treasury than would the House bill. Inasmuch as additional revenue is sorely needed at this crucial time, the fact that enactment of the House bill would have resulted in practically no increase in liabilities due in the fiscal year 1944 was an important factor influencing your committee's decision. The table below affords another comparison with the other bills considered:

Estimated income-tax liabilities due in the fiscal year 1944 under various alternatives

[In millions of dollars]

Present law	13, 000
Finance Committee bill	15, 012
House bill	13, 023
Ways and Means Committee bill:	
Maximum discount taken	18, 623
Minimum discount taken	15, 724
Carlson bill	15, 263

The Treasury Department has furnished the following detailed estimates of liabilities under the bill:

*Estimated income tax liabilities of the calendar years 1942, 1943, 1944, and 1945, under present law and under certain pay-as-you-go bills; and estimates of the portions of the income-tax liabilities of the calendar years 1942, 1943, 1944, and 1945 which are due and payable into the Treasury in the fiscal years 1943, 1944, and 1945*¹

[In millions of dollars]

	Income tax liabilities				Income tax liabilities due and payable into the Treasury		
	Calendar years—				Fiscal years—		
	1942	1943	1944	1945	1943	1944	1945
1. Under existing law	9,815.3	14,715.7	14,715.7	14,715.7	5,459.6	12,999.5	14,715.8
2. Under existing law but with special treatment for members of the armed forces as in the Senate Finance Committee bill	9,815.3	13,956.4	13,956.4	13,956.4	5,459.6	12,619.8	13,956.5
3. Same as 2, but with pay-as-you-go in operation by Jan. 1, 1942	9,815.3	13,956.4	13,956.4	13,956.4	11,328.3	13,956.4	13,956.4
4. Under the Senate Finance Committee bill		15,256.4	13,956.4	13,956.4	5,459.6	15,012.2	14,055.2
5. Under the House bill	2,213.5	13,913.8	13,913.8	13,913.8	5,277.7	13,022.8	13,913.8
6. Under the Ways and Means Committee bill	4,780.2	13,913.8	13,913.8	13,913.8	5,277.7	15,723.6	15,505.9

¹ Total taxable income for a calendar year is assumed to be distributed equally among the 4 quarters of the year. Calendar years 1944 and 1945 income has not been forecast, but has been assumed to be the same as forecast for calendar year 1943.

² Note that this is the only estimate for which the effective date of pay-as-you-go provisions is Jan. 1, 1942. The Senate Finance Committee bill, the House bill, and the Ways and Means Committee bill, are all effective July 1, 1943, except that special treatment of the armed forces with respect to 1942 income tax liabilities is reflected in June 15, 1943, payments.

Estimated income-tax liabilities due under H. R. 2570 as reported by the Senate Finance Committee on May 10, 1943¹

(In millions of dollars)

Estimated income-tax liabilities payable into the Treasury during 2—

Last 6 months of fiscal year 1943	5, 459. 6
First 6 months of fiscal year 1944	8, 011. 1
Last 6 months of fiscal year 1944	7, 001. 1
Total, 18 months, Jan. 1, 1943–June 30, 1944	20, 471. 8
Calendar year 1943	13, 470. 7
Fiscal year 1944	15, 012. 2

Reconciliation of total proposed income-tax liabilities, 18 months, Jan. 1, 1943–June 30, 1944, with total tax liabilities under present law on incomes of the calendar years 1942, 1943, and 1944:

Total income-tax liabilities payable into the Treasury during 18 months, Jan. 1, 1943–June 30, 1944	20, 471. 8
Amount withheld but not received until after June 30, 1944 (3 months' withholding)	1, 462. 6
Proposed income-tax liabilities through Dec. 31, 1944, not withheld or paid through June 30, 1944	7, 278. 3
Reduction proposed in tax liabilities of the armed forces on incomes for the calendar years 1943 and 1944 ³	1, 518. 6
Net income-tax liabilities remitted on calendar year 1942 income	9, 815. 3
Elimination of additions to 1943 net income-tax liabilities:	
Windfall provision	—900. 0
Excess profits provision	—400. 0
Total tax liabilities under present law on income of the calendar years 1942, 1943, and 1944	39, 246. 6
Total tax liabilities under H. R. 2570 on income of the calendar years 1942, 1943, and 1944	29, 212. 7

Source: Treasury Department, Division of Research and Statistics.

¹ The estimates assume that:

(1) There is remitted to all taxpayers the present law net income-tax liabilities on calendar year 1942 income.

(2) There is allowed to any member of the armed forces in active service an exclusion from base pay received after Dec. 31, 1942, equal to \$1,500.

(3) Payment is required by June 15, 1943, of at least one-half of present law net income-tax liabilities on income of the calendar year 1942, to be treated as payments toward income-tax liabilities on calendar year 1943 income.

(4) Taxes withheld after June 30, 1943, from salaries and wages in excess of the withholding exemption of \$624 for single persons, \$1,248 for married persons, and \$312 for each dependent, at the single rate of 20 percent, with the tax withheld in no case to be less than 3 percent of the amount of salaries and wages in excess of \$624.

(5) For those taxpayers whose calendar year 1942 and calendar year 1943 surtax net incomes both exceed the largest of the surtax net incomes of the calendar years 1938, 1939, and 1940, by more than \$10,000, an additional calendar year 1943 tax liability is computed as follows: From the smaller of the surtax net incomes of the calendar years 1942 and 1943, deduct the sum of \$10,000 plus the surtax net income of the base year (calendar year 1938, 1939, or 1940). The additional tax is equal to the smaller of the income taxes on incomes of the calendar year 1942 or 1943 minus a tentative tax computed on the sum of \$10,000 plus the surtax net income of the base year at present law rates. This additional tax is payable in equal installments over a period of 4 years, the first being due by Mar. 15, 1944.

(6) For those taxpayers who do not become members of the armed forces by the end of the calendar year 1943, and whose calendar year 1942 income-tax liabilities are greater than the calendar year 1943 income-tax liabilities under present law, there is added to their calendar year 1943 income-tax liabilities the excess of calendar year 1942 income-tax liabilities over calendar year 1943 income tax liabilities. This additional tax is due in calendar year 1943.

(7) For those taxpayers who do become members of the armed forces by the end of the calendar year 1943, and whose present law calendar year 1942 income-tax liabilities are greater than (a) their calendar year 1943 income-tax liabilities (as modified by provision (2) but not as modified by provision (5)) and greater than (b) a tentative tax computed on their calendar year 1942 earned income, there is added to calendar year 1943 income-tax liabilities the smaller of the excesses of present law calendar year 1942 income-tax liabilities over (a) or (b). For this purpose, earned income is defined as in sec. 25 (a) (4) (A), except that it cannot exceed \$14,000 or be less than \$3,000. This additional tax is due in calendar year 1943.

(8) Total proposed tax liabilities (comprising the proposed net Victory tax and the proposed net income tax but excluding the additional taxes described in provisions (5), (6), and (7)) on incomes of the calendar year 1943 and subsequent years are required to be paid currently. Quarterly payments are required on Sept. 15 and Dec. 15, 1943, to discharge such part of the proposed tax liabilities on income of the calendar year 1943 required to be paid currently as is not withheld during the calendar year 1943 or discharged by payments prior to June 15, 1943. Quarterly payments are required in subsequent years in such amounts that, together with the amounts withheld, tax liabilities will be paid currently.

² Total taxable income for calendar year is assumed to be distributed equally among the 4 quarters of the year. Calendar year 1944 income has not been forecast, but has been assumed to be the same as forecast for calendar year 1943.³ The loss with respect to tax liabilities on income of the calendar year 1944 should be somewhat greater but has been assumed to be the same as on income of the calendar year 1943. Calendar year 1943 net income tax liabilities are reduced by \$634.9 millions and calendar year 1943 net Victory tax liabilities are reduced by \$124.4 millions.

NOTE.—Figures are rounded and will not necessarily add to totals.

DETAILED DISCUSSION OF THE TECHNICAL PROVISIONS
OF THE BILL

COLLECTION OF INCOME TAX AT SOURCE ON WAGES

Part II of subchapter D of chapter 1 of the Internal Revenue Code provides for collection at the source of a tax of 5 percent on the excess of all wages paid on or after January 1, 1943, over a specific exemption of \$624. The amount of tax collected at source under this provision is allowed as a credit against Victory tax and any excess thereof over the Victory tax imposed under part I of subchapter D is allowed as a credit against other income taxes imposed under chapter 1. Section 2 of the House bill would amend part II of subchapter D to provide for collection of a tax at source on wages paid on or after July 1, 1943, at a rate of 3 percent upon the excess of the wages paid over a specific exemption of \$624 and a rate of 17 percent (which was designed to approximate the yield of the normal tax and the first-bracket surtax on such wages) upon the excess over a withholding exemption, the amount of which depended on the employee's family status. Thus, the combined rates approximated the net Victory tax, the normal tax, and the first-bracket surtax on such wages. In lieu of withholding at the flat percentage rates on the excess of the wages over the exemptions, employers were granted an option to withhold a tax determined under tables provided in the bill under which the two portions of the tax were combined into a single amount to be withheld from each wage payment.

Your committee bill adopts the basic system of collection at source as provided in the House bill but makes a number of technical changes which are explained below. Under the bill as reported by your committee, the methods of collection, payment, and administration of the withholding tax have been coordinated generally with those applicable to the Social Security tax imposed on employees under section 1400 of the code. This proposal has been made in order to facilitate the work of both the Government and the employer in administering the withholding system. Accordingly, section 2 of the bill places the 20 percent withholding provisions in a new subchapter D of chapter 9 of the code. The new subchapter is entitled "Collection of Income Tax at Source on Wages." This amendment requires a change in the numbering of the various sections discussed below. This system of collection of income tax at source, like other income-tax laws, will apply in the Virgin Islands.

Subchapter D under the bill as reported by your committee consists of sections 1621 to 1627, inclusive. Section 1621 provides definitions of the more important terms used in subchapter D. The general definition of the term "wages" contained in section 1621 (a) is the same as that contained in the House bill and in section 465 (a) of the code. The term is generally defined to include all remuneration whether designated as salary, wages, fees, commissions, etc., and whether paid in cash or property, if paid for services performed by an employee for his employer. Certain of the exceptions provided in existing law with respect to remuneration paid for given types of services are continued in identical language. These exceptions, numbered to conform to the bill, include remuneration paid (2) for agricultural labor as defined in section 1426 (h); (3) for domestic service

in a private home, local college club, or local chapter of a college fraternity or sorority; and (4) for casual labor not in the course of the employer's trade or business.

Exception (1) relates to remuneration paid for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay includible in gross income. The addition of the expression "includible in gross income" is a clerical change required by a further clerical change in section 1622 (a) from the provisions of the corresponding section 466 (a) of the code.

The exception provided with respect to remuneration for services performed for a foreign government or instrumentality thereof has been amended (exception (5)) to make clear that the exception extends to remuneration paid to employees by the Commonwealth of the Philippines. The exception has also been so amended as to make certain that the services must be performed for the particular government, or branch of such government.

The exception provided in existing law for services as an employee of a nonresident alien individual, foreign partnership, or foreign corporation, if such alien or foreign entity is not engaged in trade or business within the United States, has been eliminated. In many cases, although not engaged in trade or business in the United States, such employers do have an office or place of business therein or agents by whom wages are paid to citizen or resident employees in the United States. It is the opinion of your committee that the tax should be withheld upon the wages paid in such cases.

Section 1621 (a) (6) provides an exception for remuneration paid for services performed by a nonresident alien individual other than a resident of a contiguous country who enters and leaves the United States at frequent intervals. This is the same clerical change as that made in the House bill from a similar exception relating to the requirement of withholding contained in section 466 (a) of the code. The effect of this exception is generally to exclude from withholding all nonresident alien individuals who are subject to withholding under the provisions of section 143 of the code. By express provision, the exception does not extend to residents of a contiguous country who enter and leave the United States at frequent intervals. Thus residents of Canada and Mexico falling in such category who are employed within and receive remuneration for services performed within the United States will be subject to withholding under the provisions of the bill. Such persons are subject to the tax imposed by sections 11, 12, and 450 of the code, the same as in the case of citizens of the United States, upon the wages received for services performed within the United States and are not presently subject to withholding with respect to compensation for personal services under section 143.

Many persons falling within the category of residents of a contiguous country who enter and leave the United States at frequent intervals are employed by American railroads and steamship companies in transportation service which involves crossing and recrossing the border at frequent intervals. These and similar cases have many complicating factors and are not susceptible of appropriate treatment by rigid statutory rules. In addition, the exception of this general category of nonresident aliens from withholding under section 143 with respect to compensation rests within the discretion of the

Commissioner. Accordingly, exception (7) authorizes the Commissioner to provide exceptions from withholding for such individuals under regulations prescribed with the approval of the Secretary.

Exception (8), relating to services performed while outside the United States, is a clarification of existing law designed to facilitate the use of certain presumptions in determining whether the major part of the services for an employer during the calendar year is to be performed outside the United States.

Exception (9) is a new provision excepting from the definition of "wages" remuneration paid for services performed as a minister of the gospel.

Section 1621 (a), relating to the definition of "wages," makes clear that the exception provided in paragraph (8) thereof with respect to services performed outside the United States does not extend to wages paid for services performed on an American vessel or upon any vessel as an employee of the United States employed through the War Shipping Administration. Hence, under the terms of the bill, withholding is required upon the wages paid to (1) employees performing services on or in connection with an American vessel (as defined in section 1426 (g) of the code) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States and (2) employees serving on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration. This is in accordance with present administrative practice under existing law.

All of the foregoing exceptions to the general definition of "wages" are identical with those contained in the House bill.

The term "payroll period" is defined in section 1621 (b) and is identical with that contained in the House bill and in section 465 (a) of the code. Your committee, however, has added a definition of the term "miscellaneous payroll period." This term embraces any period for which a payment of wages is ordinarily made to the employee by his employer other than a weekly, biweekly, semi-monthly, monthly, quarterly, semi-annual, or annual payroll period. Thus, if an employer's ordinary practice is to pay his employees for periods of 10 days, such 10-day periods are miscellaneous payroll periods.

Section 1621 (c) defines the term "employee" in the same terms as the House bill and section 465 (d) of the code.

Section 465 (c) and (e) of the code contains definitions of the terms "withholding agent" and "employer," respectively. Under the House bill and under the bill as reported by your committee, the definition of withholding agent has been eliminated. Both bills generally define the term "employer" to mean the person for whom an individual performs or performed any service, of whatever nature, as the employee of such person. This general definition is not adequate, however, to cover certain special cases, such as the case where the local agent of a nonresident alien individual, foreign partnership, or foreign corporation pays wages to a citizen or resident of the United States, and the case of the person making payment of wages in situations where the wage payments are not under the control of the person for whom the services are or were performed, as, for instance, in the case of certain types of pension payments. The House bill provided for these cases by an exception to the general definition of the term

"employer" which provided that if the wages are paid by a person other than the person for whom the services are or were performed, the term "employer" means the person paying such wages. The committee bill has restated the exception in order to make clear that it is designed solely to meet unusual situations and not intended as a departure from the basic purpose to centralize responsibility for withholding, returning, and paying the tax and furnishing receipts.

Accordingly, the bill provides in section 1621 (d) (1) that if the person for whom the services are or were performed does not have control of the payment of the wages for such services, the term "employer" means the person having control of the payment of such wages. Section 1621 (d) (2) provides that in the case of a person who pays wages on behalf of a nonresident alien individual, foreign partnership, or foreign corporation, which is not engaged in trade or business within the United States, the term "employer" means the person who pays the wages.

As stated, section 1621 (d) makes it clear that the responsibility for withholding, paying, and returning the tax and furnishing receipts rests with the employer, except as otherwise specifically provided in section 1624. In the case of a corporate employer having branch offices, the branch manager or other representative may actually, as a matter of internal administration, withhold the tax or prepare the receipts required under section 1625, but the responsibility and legal duty for withholding, paying, and returning the tax and furnishing the receipts, rests with the corporate employer.

Under the bill as reported by your committee, the tax required to be collected at the source is based upon the excess of the wage payment over the amount of the withholding exemption provided in section 1622 (b). The amount of the withholding exemption in a specific case is in general dependent upon the status of the individual employee as single, married, etc.; upon the number of his dependents; and, in the case of an employed married person whose spouse is also employed, the amount of the withholding exemption claimed by each spouse. In all cases the withholding exemption will be determined by the employer upon the basis of the information relative to status set forth in a withholding exemption certificate required to be furnished by the employee. Accordingly, definitions have been provided in sections 1621 (e) to (k), inclusive, for the purpose of enabling the employer to determine the status of wage earners with respect to the withholding exemption. Under these definitions, which are identical in all but one respect with those contained in the House bill, the terms "single person," "married person," "head of a family," and "dependent," have the meanings assigned to such terms for the purpose of the personal exemption and credit for dependents in section 25 and the regulations prescribed thereunder, but the application of the appropriate amount of withholding exemption in each case depends upon the furnishing of a withholding exemption certificate stating that the individual occupies the described status or is entitled to the withholding exemption with respect to dependents. If no certificate setting forth the status of the employee is furnished, no withholding exemption is allowed; and tax will be withheld upon the gross amount of the wage payment. If husband and wife are both employed, each may claim one-half of the withholding exemption allowed a married person or they may agree to allow one spouse to

claim all of the withholding exemption, and the other spouse to claim none of the withholding exemption. The option in such case extends only to the withholding exemption allowed a married person which under the definition is termed the "personal exemption for withholding."

The withholding exemption provided with respect to dependents must be claimed by the spouse who furnishes the chief support for such dependent whether or not such spouse claims any part of the personal exemption for withholding. In the case of the head of a family having one or more dependents, one of such dependents is to be omitted in determining the number of dependents for the purpose of the withholding exemption with respect to dependents. The only respect in which your committee bill differs from these provisions in the House bill is that the former proposes to qualify the definition of the term "married person claiming half of the personal exemption for withholding" contained in subsection (h) so that such amount of the personal exemption for withholding shall apply only where the withholding exemption certificate expressly states that for the purposes of the tax collected at the source on wages the employee's spouse is claiming not more than one-half of the personal exemption for withholding. This change is designed to bring this definition in line with the definition of "married person claiming all of personal exemption for withholding."

The House bill expressed the withholding requirement in terms of two portions of the tax required to be collected at source. The portion required to be withheld at the rate of 17 percent was based upon the excess of the wage payment over the amount of a withholding exemption which approximated the personal exemption of the wage earner under the regular income tax plus credit for dependents plus 10 percent of such exemption and credit, the combined amounts being prorated in accordance with the length of the particular payroll period. The portion required to be withheld at the rate of 3 percent was based upon the excess of each wage payment over the prorated withholding exemption of \$624 provided for Victory tax purposes. Thus, the employer would first apply one withholding exemption and rate to each payment of wages, then he would apply another withholding exemption and rate to such payment, and by adding the two results would arrive at the total amount of tax to be withheld. This amount would approximate the net Victory tax, the normal tax, and the first-bracket surtax on such wages.

Your committee bill is designed to achieve this same objective of withholding on wages an amount approximating the net Victory tax, the normal tax, and the first-bracket surtax on such wages, but it is so framed that the employer will not be required to make two separate computations and add the result of each in order to arrive at the amount of tax required to be withheld from any one employee.

To accomplish this objective of simplifying the work of employers, section 1622 of the bill changes the aggregate withholding exemption of \$552 for single persons provided in the House bill to \$624; the withholding exemption of \$1,320 for married persons to \$1,248; and the withholding exemption of \$408 for each dependent to \$312. These amounts are termed the family status withholding exemptions. Withholding would then be applied at the single rate of 20 percent on all amounts paid in excess of these exemptions, prorated in accord-

ance with the length of the payroll period. The bill provides, however, that in no case may the tax to be withheld be less than 3 percent of the amount of the wages for each payroll period in excess of the prorated \$624 Victory tax exemption.

The reason for the provision in section 1622 (a) that the amount to be withheld shall in no event be less than 3 percent of the amount in excess of the Victory tax withholding exemption is that the family status withholding exemption of a wage earner might equal or exceed the amount of his wages so that no withholding for normal tax and first-bracket surtax should take place, while at the same time his Victory tax withholding exemption might be less than the amount of his wages so that withholding for Victory tax purposes should take place. In other words, the provision is necessary to insure withholding for Victory tax purposes in the case of single persons with dependents having incomes between \$624 and the applicable exemption under the 20 percent withholding, which ranges upward from \$624 depending on the number of dependents, and in the case of married persons or heads of family with incomes between \$624 and the applicable exemption under the 20 percent withholding, which ranges upward from \$1,248 depending on the number of dependents. To illustrate: John Smith is a married person claiming the whole of the personal exemption for withholding and has one dependent. His weekly wage is \$30. His weekly family status withholding exemption is \$30 (\$24 because he is a married person claiming the whole of the personal exemption for withholding, plus \$6 because of his one dependent). Since his weekly family status withholding exemption equals the amount of his weekly wage, there will be no withholding for normal tax and first-bracket surtax purposes. However, John Smith's weekly Victory tax withholding exemption is \$12, and since his weekly wage is \$30, he has a Victory tax liability, and his employer will withhold \$0.54 (3 percent of \$18).

The specific wage levels at which only the 3-percent rate is applicable are readily ascertainable, and the Commissioner's regulations can furnish a list of those levels so that employers will not need to make computations in order to determine whether the 3-percent or full 20-percent rate is applicable. For example, a married person with one dependent who claims all of the personal exemption for withholding and who receives less than \$33.18 a week will be subject only to a withholding tax of 3 percent on the amount received in excess of the prorated \$624 Victory tax exemption. For all such persons receiving a weekly wage of \$33.18 or over the rate of withholding will be 20 percent on the amount in excess of the applicable family status withholding exemption.

Under the Victory tax withholding provisions the liability for withholding is placed upon the person having control of the payment of wages. Section 1622, like the House bill, specifically designates the "employer" as the person required to withhold and collect the tax. This is a clarifying change. A clerical amendment in the House bill eliminated the provision in section 466 (a) which restricts the withholding to wages includible in gross income. The same change is made in the present bill. This limitation, which was designed to exclude from withholding the amount of any wage payment exempted under the law from the tax imposed by chapter 1 of the code, is rendered unnecessary by the changes made in the definition of the term "wages."

The amount of the withholding exemption applicable with respect to any payment of wages is determined under the provisions of section 1622 (b). The House bill changed the term "withholding deduction" contained in the Victory tax provisions to "withholding exemption" in order to avoid confusion. The latter designation is also used in the committee bill. For convenience of reference, the withholding exemption allowable in computing tax at the 20-percent rate has been designated the "family status withholding exemption" and that allowable in computing tax at the 3-percent rate the "Victory tax withholding exemption." The amount of the withholding exemption applicable to all wage payments is determined under the schedules provided in section 1622 (b) and the rules relative to the application of such schedules in certain types of cases are provided in paragraphs (2), (3), and (4) of subsection (b). The schedule of family status withholding exemptions applicable for the purpose of the 20-percent rate provided in subsection (a) (1) is as follows:

Family status withholding exemption

Payroll period	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent other than the first dependent in the case of the head of a family
Weekly	\$12.00	\$24.00	\$12.00	0	\$6.00
Biweekly	24.00	48.00	24.00	0	12.00
Semimonthly	26.00	52.00	26.00	0	13.00
Monthly	52.00	104.00	52.00	0	26.00
Quarterly	156.00	312.00	156.00	0	78.00
Semiannual	312.00	624.00	312.00	0	156.00
Annual	624.00	1,248.00	624.00	0	312.00
Daily or miscellaneous (per day of such period) ..	1.70	3.40	1.70	0	.85

The schedule of Victory tax withholding exemptions for the withholding rate of 3 percent is as follows:

Payroll period:	<i>Victory tax withholding exemption</i>
Weekly	\$12.00
Biweekly	24.00
Semimonthly	26.00
Monthly	52.00
Quarterly	156.00
Semiannual	312.00
Annual	624.00
Daily or miscellaneous (per day of such period) ..	1.70

The first schedule has been changed from that contained in the House bill, for the reasons stated above. The latter schedule is the same as that provided in section 466 (b) of the code with the exception of an additional line setting forth the amount of the withholding exemption applicable with respect to wages paid for a single day's service in the case of a daily or miscellaneous payroll period, and the designation, "Victory tax withholding exemption." Except for the designation, the schedule is the same as that in the House bill. Under the rules prescribed in paragraphs (2) and (3) of the subsection, the daily or miscellaneous payroll period exemption will be used for computing the amount of the withholding exemption in the case of

wages paid on a daily basis, for any period not otherwise provided for in the schedules, or for wages paid without regard to any period. For instance, in the case of wages paid for a 10-day payroll period, the amount of the withholding exemption applicable is \$1.70 per day multiplied by the number of days in such period, or \$17. The same rules apply to the withholding exemption schedule applicable for the purpose of computing the tax at the 20-percent rate.

The rules prescribed in paragraphs (2), (3), and (4) of section 1622 (b) are the same in substance as those provided in paragraphs (2), (3), and (4) of section 466 (b) of the code, and the same as those in the House bill. Your committee bill inserts "withholding" before "exemption". This is a clarifying change.

Paragraph (4) of section 1622 (b) is substantially the same as paragraph (2) of section 466 (b) of the code except that it is made clear that the rule there prescribed is applicable at the election of the employer. Under this provision, if wages are paid for a period of less than a week or, in the case of wages paid without regard to any period, if the time described in paragraph (3) is less than 1 week, the employer may at his election compute the amount of the tax on the basis of the excess of the wages paid during the calendar week over the withholding exemption allowable for a weekly payroll period. If the employer does not elect to use such method, the tax will be based upon the excess of the wages paid, prorated on a daily basis, over the amount of the daily withholding exemption of \$1.70. The application of this provision is illustrated by the following example:

¶ If a married person (having no dependents) claiming all of the personal exemption for withholding receives in a calendar week \$8 per day for 4 days, his employer may elect to withhold upon the amount in excess of \$24 (or \$8) at 20 percent, so that the total amount withheld would be \$1.60. Hence, under such election withholding would apply beginning with the payment made for the fourth day, since the employee would have received \$24 for the first 3 days. On the other hand, the employer may use the amounts specified in the schedules for a daily or miscellaneous payroll period, in which case the amount withheld for each day would be 20 percent of the excess of \$8 over \$3.40 (\$4.60), or \$0.92, and the total amount withheld would be four times the latter amount, or \$3.68.

Paragraph 5 of section 1622 (b) is a new provision which, in order to simplify the work of the employer who withholds under the schedule method, permits him to round out the wages to the nearest dollar in computing the amount of tax to be withheld.

Paragraph (5) of section 466 (b) of the code provides that the total withholding exemption allowed an employee with respect to wages received from any one employer during the calendar year shall not exceed the amount of the withholding exemption allowable for an annual payroll period. This limitation operates to prevent an excessive withholding exemption and consequent underwithholding of the tax in those cases in which the employee receives regular wages plus additional wages in the form of bonuses, commissions, etc. The committee bill, like the House bill, eliminates this paragraph as unnecessary. Under section 1622 (i) of the bill, the Commissioner is vested with authority to provide appropriate rules for the determination of the withholding exemption applicable in such cases under which the withholding exemption allowed to an employee in any

calendar year shall approximate the withholding exemption allowable with respect to an annual payroll period.

Under the provisions of section 1622 (c) of the bill, employers may at their option withhold a tax determined under tables provided in such section to be deducted from each wage payment. Such tax shall be in lieu of the tax computed under the percentage rates and required to be withheld under the provisions of subsection (a). The change made in subsection (b) with respect to the withholding exemption has made it possible to provide one table applicable to each payroll period for all employees, regardless of their marital and dependency status. The resulting redesigning and reduction in the number of tables should substantially simplify the employer's task and the amounts withheld will very closely approximate the amounts which would be withheld under the more numerous tables of the House bill. Under this section, tables are provided for weekly, biweekly, semi-monthly, and monthly payroll periods. For the convenience of employers making payment of wages for payroll periods other than those comprehended by the above-mentioned tables, or for periods which do not constitute a payroll period, or making payment of wages without regard to any particular period of time, a further table described as the table applicable to a daily payroll period or a miscellaneous payroll period is provided. Under this table the amount of the tax required to be withheld is determined by multiplying the amount of tax shown opposite the particular daily wage bracket by the number of days in the period for which wages are paid or, in the case of wages paid without regard to a period of time, by the number of days which have elapsed between such wage payments since the date of commencement of employment during the calendar year, or January 1, of the calendar year, whichever is the later.

The rules relating to the application of the above-mentioned tables to specific types of cases are prescribed in paragraphs (2), (3), and (4) of section 1622 (c). These rules are in substance the same as those prescribed in paragraphs (2), (3), and (4) of section 466 (b) of the code, and are identical, apart from minor changes, with those prescribed in the House bill, for the purpose of determining the amount of the withholding exemption in cases where the tax is determined by application of the percentage rate to the wages paid. For example, if wages are paid for a period which does not constitute a payroll period, paragraph (2) of section 1622 (c) provides that the amount of tax to be withheld shall be computed by multiplying the tax shown opposite the appropriate wage bracket in the miscellaneous table by the number of days contained in the period for which such wages were paid. Paragraph (4) of that section provides that if wages are paid for a period of less than 1 week the employer may at his election compute the tax under the table applicable in the case of a weekly payroll period or under the miscellaneous table. If the employer elects to use the table applicable to the weekly payroll period, the aggregate of the wages paid to the employee during the calendar week shall be considered as the weekly wage.

Paragraph 5 of section 1622 (c) is a new provision which, in order to simplify the work of the employer who withholds under the table method with respect to employees whose wages exceed the highest wage bracket in any table, permits him to round out the wages to the nearest dollar in computing the amount of tax to be withheld.

Section 1622 (d) under the bill is substantially the same as section 466 (d) of the code and the corresponding provision of the House bill. However, the language has been changed in order to make clear that nothing contained in the subsection should be construed to relieve the employer of the duty imposed by law to withhold and pay the tax. Under this provision, payment by the recipient of the income of the tax required to be withheld by the employer relieves the employer from payment of the tax but does not relieve him from liability for additions to the tax or penalties for failure to withhold, collect, and pay the tax in accordance with the provisions of the subchapter.

Section 1622 (e) of the bill provides that the tax withheld and collected at the source on wages shall not be allowed as a deduction either to the employer or the recipient of the income in computing net income. However, provision is made by an amendment to section 35 of the code for credit for tax withheld at source in the case of the recipient of the income. This represents a clerical change from the House bill.

Subsection (f) provides that the refund or credit of any overpayment of the tax required to be withheld and collected shall be made to the employer only to the extent that the amount of the overpayment was actually withheld and collected from the employee. The provision differs from the House bill by reason of the fact that the provisions of law applying to the Social Security tax on employees under section 1400 have been made applicable. The subsection contains a cross-reference to the provision for credit or refund to recipients of income in the case of excessive withholding.

Subsection (g) is identical with the corresponding provision of the House bill. This subsection provides that if the remuneration paid for services performed during one-half or more of any payroll period constitutes wages, all the remuneration paid for such period shall be deemed to be wages; but if the remuneration paid for services performed during more than one-half of such payroll period does not constitute wages, then none of the remuneration paid for such period shall be deemed to be wages. The subsection has application only to remuneration paid for a period of not more than 31 consecutive days which constitutes an established payroll period within the meaning of the definition contained in section 1621 (b). It has no application to remuneration paid at irregular intervals or to remuneration paid without regard to any period. The 31-day limitation is intended to minimize changes in pay periods in order to avoid withholding.

Subsection (h) of section 1622 requires every employee receiving wages to furnish his employer a signed withholding exemption certificate in such form and containing such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe. The purpose of the certificate is to enable the employer to determine the amount of the withholding exemption applicable to the wages of each employee or, if the employer elects under section 1622 (c) to adopt wage-bracket withholding, the amount to be withheld under that subsection. The status of the employee as single person, married person claiming all of personal exemption for withholding, married person claiming half of personal exemption for withholding, married person claiming none of personal exemption for withholding, head of family, and the dependents to be taken into

account by the employer for withholding purposes, are to be determined in accordance with the certificate furnished by the employee. Once in effect a certificate is to continue in effect until another certificate furnished by the employee takes effect. If no certificate is in effect with respect to an employee, the employer is to treat such employee as a married person claiming none of the personal exemption for withholding so that with respect to such employee there will be no withholding exemption in effect. Similarly, if the employer uses the wage-bracket tables, the amounts to be withheld from the wages of an employee with respect to whom there is no withholding certificate in effect are to be determined in accordance with the tables provided in the case of a married person claiming none of the personal exemption for withholding. In case of a change of status, the employee is required to furnish a new certificate not later than 10 days after such change occurs. This is a change from the House bill, designed to make clear that in the case of a change of status the employee must furnish a new certificate showing that change.

Under the House bill, changes in the employee's withholding exemption status are permitted at any time, but it is provided that the employer shall have at least 30 days from the date of notification of a change in status before being required to give effect to such change. Under subsection (h) of the present bill the employer is not required to give effect to a change in status more than twice during each calendar year. The modified rule is as follows:

(1) If the employee furnishes a withholding exemption certificate after the date of commencement of employment, the certificate is to take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least 30 days from the date on which such certificate is furnished. For the purposes of this provision, the status determination dates are fixed as January 1 and July 1 of each year. These provisions are a modification of those under the House bill, designed to allow employers ample time in which to adjust payroll and other accounting records to conform to the withholding exemption certificates furnished by employees after the date of commencement of employment. Wherever feasible, however, employers may give earlier effect to such certificates. (2) If the employee furnishes a withholding exemption certificate on or before the date of commencement of employment, the certificate is to take effect as of the beginning of the first payroll period ending on or after the date on which the certificate is furnished or with respect to the first payment of wages made without regard to a payroll period on or after such date.

The rules set forth under (1) above are applicable to all wage earners who are employed on July 1, 1943, when the new withholding provisions take effect. The rules under (2) above apply in the case of new employment or reemployment, after an interruption in employment with the same employer, occurring after July 1, 1943. In applying these rules in the case of an employee intermittently hired and rehired by the same employer at frequent intervals, such employee shall be deemed to have commenced his employment at the time of the first hiring.

Section 1622 (i) authorizes the Commissioner, under regulations prescribed with the approval of the Secretary, to provide suitable rules for the determination of the withholding exemption and the

application of the wage-bracket tables with respect to various types of wage payments which do not fall readily within the statutory pattern which is necessarily designed to fit the customary type of periodic wage payments. The problems intended to be covered by these regulations are those arising generally in case of supplementary payments in the form of bonuses, commissions, dismissal wages, and the like, made in addition to periodic wage payments, and payments made with respect to periods beginning in one calendar year and ending in a different calendar year. The committee bill has changed the language of the corresponding provision of the House bill in order to make clear that the purpose of this provision is to limit the withholding exemption allowed to an employee in any calendar year to an amount approximating the withholding exemption allowable with respect to an annual payroll period.

Payments supplementary to periodic wage payments are made in various ways. Such payments may consist of commissions or bonuses paid each payroll period and covering the same or different periods as the regular wage payment or they may be made without regard to any particular period. The actual payment of the supplementary remuneration may or may not coincide with an actual payment of periodic wages. Such payments of supplementary remuneration raise the problem as to the proper handling of the withholding exemption and the wage-bracket tables in order to provide for the allowance of the appropriate withholding exemption and the deduction of the appropriate amount of tax.

For example, an employee's remuneration may consist of wages paid at periodic intervals plus additional wages in the form of a bonus paid at the end of each 6 months' period. If the tax required to be withheld and collected at the source is computed independently with respect to each such payment of wages, after giving effect to the withholding exemption applicable to each such payment, it is apparent that such employee will have been allowed the entire amount of the withholding exemption to which he is entitled for a full calendar year. Hence, he should not be entitled to any withholding exemption with respect to wage payments made by the same employer during the balance of the calendar year. The same result would obtain if the tax on the periodic wage payments was withheld under the table applicable to such periods and the tax on the bonus was withheld on the percentage basis after allowance of the amount of the withholding exemption applicable to a 6 months' period. It is obviously more desirable to have the withholding exemption to which the employee is entitled spread over the wage payments for the entire calendar year. Moreover, it is considered undesirable to burden the employer with the necessity of keeping records in order to determine at a given time the aggregate amount of the withholding exemption previously allowed to the employee.

Under the committee bill, as in the House bill, the maximum amount allowable as a withholding exemption to an employee with respect to the wages paid by any one employer during the calendar year should approximate the amount of the withholding exemption allowed for an annual payroll period, whether such exemption is based on the schedules provided in subsection (b) of section 1622 or is reflected in the tables contained in subsection (c). For these reasons, it is expected that the Commissioner will provide reasonable regulations

for the appropriate treatment of all such supplementary or overlapping wage payments. Such regulations should insure, on the one hand, that the amount of tax withheld by the employer will approximate the amount that would be withheld and collected if all wages paid to the employee by such employer were paid at periodic intervals throughout the calendar year and, on the other hand, that the employee will receive the benefit of withholding exemptions approximating in the aggregate the amounts specified under the schedules for an annual payroll period.

Your committee has added a new provision, which is contained in subsection (j), to permit withholding to be based on average wages. Under this provision, the Commissioner may, under regulations, authorize employers to estimate the wages which will be paid to any employee in any quarter of a calendar year; determine the amount to be withheld and collected upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid; and to withhold and collect upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually withheld and collected upon the wages of such employee during such quarter to the amount otherwise required to be withheld during such quarter. This provision is designed to promote the efficient functioning of the withholding system in cases where there is steady employment and little fluctuation in wages between pay periods, so that a reasonably accurate average can be estimated, and it is expected that the Commissioner's regulations will prescribe rules appropriate to that end.

Section 467 of the code consists of subsections (a), (b), and (c). The House bill changed the headings and combined subsections (a) and (b) into new subsection (a). These were clerical amendments made because of the new definition of the term "employer" contained in section 465 (d) under the House bill and effected no substantive change in the law. Subsection 465 (b) under the House bill, relating to adjustments, was identical with section 467 (c) of the code. Under your committee bill the corresponding section (sec. 1623) omits the provision for adjustments, since the adjustment authorization provision of section 1401 (c) of the code is made applicable.

The House bill provides for quarterly returns by the employer of tax withheld at source. The present bill omits the House provisions with respect to return and payment of the tax by employers. These requirements, under your committee bill, are governed by the applicable provisions which apply to the tax imposed by section 1400. The provisions of the House bill relating to the determination of deficiencies have also been omitted in the present bill.

The change in your committee bill from a system of collection, payment, and administration based upon the principles applicable to the income tax to a system of collection, payment, and administration based upon the principles underlying the collection of the social security tax on wages has been made in order to promote efficiency and flexibility in the administration of the tax by the Government and the operations of the employer thereunder. In recommending this change, however, your committee does not intend to depart from the basic principle that the responsibility and legal duty for withholding and paying the tax, etc., rests with the employer. In view of this

basic principle, the committee bill, in section 1624, retains the provision of the House bill that if the United States, a State, Territory, or political subdivision, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing is the employer, the return of the tax may be made by the officer or employee having control of the payment of wages or other officer or employee appropriately designated for that purpose.

Section 469 of the code, relating to receipts, was amended by the House bill in two respects. Subsection (a) of section 469 was amended to eliminate the language which requires the employer to show on the receipt the period of employment covered by such receipt. As so amended, the section would specifically require only that the receipts show the amount of wages paid and the amount of tax withheld with respect thereto. The Commissioner is granted authority to prescribe by regulations the form and content of such receipts and, if he finds it necessary, he may require that the periods of employment be shown. Subsection (b) of section 469 of the House bill provided that the receipts should be in lieu of the information returns with respect to wages, but information returns would still be required with respect to remuneration not subject to withholding. This provision contemplates, of course, that a duplicate copy of each receipt will be furnished to the Government. Under your committee bill, these House provisions are retained as section 1625 (a) and (b), and a clerical amendment is made in the heading and in the reference to "subchapter" rather than "part."

Subsection (c) of section 1625 under your committee bill alters the provisions relating to extension of time for the furnishing of receipts to employees. By the terms of the amendment the Commissioner under regulations prescribed by him with the approval of the Secretary is empowered to grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the receipts required to be furnished to employees. Thus, the extension privilege will no longer be limited to the receipt to be furnished on the day on which the last payment of wages is made but may be applied in the case of receipts to be furnished at the close of the calendar year.

Under the House bill subsections (a) and (b) of section 470, relating to penalties for fraudulent receipts or failure to furnish receipts, are identical with existing law. Under your committee bill these penalty provisions remain substantially the same. The section has been renumbered as section 1626 and certain other clerical amendments have been made to adjust the provisions to the section of chapter 9 of the code.

Under the House bill subsection (c) of section 470 was amended to increase from \$5 to \$10 the minimum addition to the tax for failure by the employer to make and file a return required by this subchapter within the time prescribed by law or prescribed by the Commissioner in pursuance of law. Your committee bill retains this provision as section 1626 (c) with clerical changes required by the shift to chapter 9 of the code.

Section 470 (d) was a new provision added to the code by the House bill. This section provides appropriate penalties applicable to employees who willfully supply false or fraudulent withholding exemption certificates or who willfully fail to supply information which would decrease the withholding exemption. The penalty in

each instance is a fine of not more than \$500 or imprisonment of not more than 1 year, or both, and such penalties are in lieu of those provided in section 145 (a) of the code. This provision with minor modifications is retained in your committee bill as section 1626 (d). As amended the statutory language makes clear that the penalties are applicable in the case of an employee who willfully supplies false and fraudulent information, or who willfully fails to supply information, which would require an increase in the tax to be withheld at source on his wages. Reference to section 145 (a) has been eliminated because of the change from chapter 1 to chapter 9 of the code.

Under the bill as amended by your committee, as has been previously noted, the withholding provisions have been shifted to chapter 9 of the code. To reflect this technical alteration an additional section has been added to the withholding provisions, namely section 1627, and a subchapter E, to follow subchapter D of chapter 9, has been added. These new provisions are discussed below.

Section 1627 provides that all provisions of law, including penalties, applicable with respect to the social-security tax on employees imposed by section 1400 shall, insofar as applicable and not inconsistent with the provisions of new subchapter D of chapter 9, be applicable with respect to the tax imposed under that subchapter.

Subchapter E of chapter 9 under the bill contains certain provisions which will apply to chapter 9 generally. There are two sections in subchapter E, namely, section 1630 and section 1631.

General provisions with respect to verification of returns, and related matters, are contained in section 1630. The Commissioner is empowered under subsection (a) to require that any return, statement, or other document required to be filed under chapter 9 shall contain or be verified by a written declaration that such return, statement, or other document is made under the penalties of perjury. To exercise this power the Commissioner is to prescribe appropriate regulations with the approval of the Secretary. The subsection makes clear that the declaration made under the penalties of perjury shall be in lieu of any oath otherwise required. Thus, the regulations may provide that the oath may be dispensed with in the case of employers making returns under chapter 9.

Subsection (b) of section 1630 provides for penalties in the case of a person who willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter. The subsection states that such person shall be guilty of a felony, and, upon conviction, shall be subject to the penalties prescribed for perjury in section 125 of the Criminal Code.

Section 1631 relates to the use of incorporated banks or trust companies (which are depositaries or financial agents of the United States) in connection with the payment of taxes under chapter 9. Under this section the Secretary may authorize such incorporated banks and trust companies to receive any taxes under chapter 9 in such manner, at such times, and under such conditions as he may prescribe. If the Secretary should make such authorization, he shall prescribe the manner, times, and conditions under which the receipt of chapter 9 taxes by authorized incorporated banks and trust companies is to be treated as payment of such taxes by the collectors. Withholding

under the new system will involve very considerable amounts of tax moneys which will be withheld from the wages of employees. These funds will not belong to the employers. It may well prove desirable to provide a method by which these funds will be turned over by employers, and reach their way into the Treasury, more rapidly and more currently than, for example, on a quarterly basis. The purpose of section 1631 is to provide a flexible method by which this objective may be accomplished without placing an undue strain on the administrative tax collection machinery.

Section 2 (b) of the House bill was a technical amendment changing the heading of subchapter D of chapter 1 of the Internal Revenue Code. This amendment is unnecessary under the new structure provided in your committee bill; accordingly, section 2 (b) of the present bill contains other technical amendments in keeping with the rearrangement effected thereunder. Paragraph (1) amends section 34 of the code by omitting reference to section 466 (e), relating to credit for Victory tax withheld at source under the system in effect prior to July 1, 1943. Paragraph (2) amends section 322 (f) of the code, which is likewise a cross-reference provision, to provide a cross-reference to section 1622 (f), relating to refunds or credits to employers and to recipients of income, instead of to section 466 (f), the present credit provision relating to the Victory tax.

Section 476 of the code provides that the taxes imposed by subchapter D of chapter 1 shall not apply to any taxable year commencing after the date of cessation of hostilities in the present war. Section 2 (c) of the House bill amends section 476 to limit the application of this provision to the Victory tax imposed by part I of subchapter D of chapter 1. Section 2 (c) of the bill amends section 476 so that the tax imposed by part II of subchapter D of chapter 1 shall not apply with respect to any wages paid after June 30, 1943. Wages (as defined in section 1621 (a)) paid after that date will be subject to the provisions of subchapter D of chapter 9.

Section 2 (d) of the bill, relating to the effective date, provides that the amendments made by section 2 (a) and (b) shall take effect on July 1, 1943, and shall be applicable to all wages paid on or after such date.

MISCELLANEOUS AMENDMENTS

Credit for tax withheld at source on wages.

Section 3 of the bill amends section 35 of the code to provide that the amount of the tax withheld and collected under new subchapter D of chapter 9 shall be allowed as a credit to the recipient of the income against the income (including Victory) tax imposed by chapter 1. Aside from technical changes, this provision is identical with the corresponding provision in the House bill. The credit for the amount withheld during any calendar year upon the wages is to be allowed as a credit to the recipient of the income against the tax for taxable years beginning in such calendar year. If more than one taxable year begins within such calendar year, the amount of the credit is not allowable against each of such taxable years, but shall be allowed in the manner which clearly reflects the tax liability of the recipient of the income for such taxable years.

Section 4 (a), with the exception of the provision noted below, is the same in substance as section 3 (a) of the House bill, which made a clarifying amendment to section 322 (a) (2).

Authority to make credits against estimated tax.

Section 4 (a) also adds a new paragraph (3) to section 322 (a). This provision authorizes the Commissioner to prescribe with the approval of the Secretary regulations providing for a credit against estimated tax for any taxable year of the amount determined by the taxpayer or the Commissioner to be an overpayment of the tax for the preceding taxable year.

Under the new procedure in the declaration and payment of the estimated tax (the first installment of which will generally be payable at the same time as the making of the return and final payment of the tax for the preceding taxable year) a class of cases will arise in which it is apparent that the tax for the preceding taxable year has been overpaid. The Commissioner should have the same authority to credit an overpayment of the tax for a preceding taxable year against the estimated tax for the current taxable year as he has under existing law with respect to the tax for the current taxable year. Permitting the taxpayer on his return or on his declaration to compute the overpayment and credit it against his estimated tax in his declaration would obviate unnecessary remittances by the taxpayer of the estimated tax and unnecessary refunds by the Commissioner. The administration of the provisions of the bill may therefore require some crediting procedure as to the estimated tax in addition to that now provided in section 322 (a) (1).

In the absence of administrative experience in the field, it seemed to your committee wiser, in providing such additional credit, not to require the credit to be made or permitted, but to grant authority to the Commissioner to make or permit this type of credit, together with authority by regulation to specify the terms, conditions, extent, and effect of the credit to be made or permitted to be made. Among the matters to be covered by the regulations if the authority is exercised are—

(1) Whether and to what extent and under what conditions the taxpayer shall be allowed to take the credit on his declaration; and (2) whether the effect of the credit (whether taken by the taxpayer or made by the Commissioner) is to be like the credit allowed under section 35 of the code or like the credit specified by section 322 (a) (1). If, under your committee's amendment, the Commissioner authorizes a credit against the estimated tax of the character of that prescribed in section 322 (a) (1), such credit will constitute a payment of the estimated tax both generally and for the purposes of section 59 (b); and if the determination of the overpayment proves to have been erroneous, the year for which the overpayment was determined is adjusted.

Presumption as to date of payment.

Section 4 (b) amends section 322 (e) of the code, relating to presumption as to date of payment, to include tax actually withheld and collected at the source under subchapter D of chapter 9; to insure the application of the rule to the proper taxable year; and to provide for the application of the same rule with respect to payments of estimated tax.

Delegation of authority to collectors to make refunds.

Subsection (c) of section 4 of the bill amends section 3770 (a) of the code, relating to authority to make refunds. New paragraph (4) has been added which authorizes the Commissioner to delegate, with the approval of the Secretary, to the various collectors any authority, duty, or function which the Commissioner is required to exercise or perform with respect to the making of refunds, and the like, in respect of any individual, estate, or trust, where the amount involved does not exceed \$1,000. This provision makes it possible for the Commissioner to delegate to the collectors the function of making refunds of such amounts, not in excess of \$1,000, as the Commissioner may prescribe. This provision will permit the administrative authorities to handle refunds more expeditiously.

Rule where no tax liability.

Section 4 (d) of the bill adds new subsection (c) to section 3770 of the code. Under this provision an amount paid as tax shall not be considered not to constitute an overpayment solely because there was no tax liability in respect of which that amount was paid.

The income tax law requires the taxpayer to make a return of his tax and to pay the tax so returned. These requirements contemplate that in the discharge of these duties at the time, place, and manner prescribed honest mistakes will occur—mistakes both as to the amount of the tax and as to the existence of any tax liability; and that such honest mistakes made incident to the bona fide orderly compliance with the actual or reasonably apparent duties of the taxpayer are to be corrected under the provisions of law governing overpayments. In the opinion of your committee, existing law so provides. The language of certain court decisions (holding that certain payments, not made incident to a bona fide and orderly discharge of actual or reasonably apparent duties imposed by law, are not overpayments and accordingly that interest is not payable) has been read by some as meaning that no payment can result in an overpayment if no tax liability actually existed. Your committee does not believe that such reading is in any way a statement of existing law. The provisions of the bill, however, emphasize the need for clarity in this regard.

Under the bill as reported by your committee, two requirements become basic features of the income tax: (1) The declaration and payment of the estimated tax; and (2) the withholding and collection by the employer of tax from the wages of employees, and the return and payment as such of the amount by the employer to the Government. Honest mistakes incident to faithful and orderly compliance will, of course, occur, just as they have in the older procedures of the tax. The doubts expressed as to the existence of an overpayment in case it ultimately turns out that there is no tax, your committee believes, should be put to rest, and to this end submits the amendment to section 3770 of the code. In the view of your committee, the code does not contemplate that liability for interest can be cast on the Government by merely dumping money as taxes on the collector, by disorderly remittances to him of amounts not computed in pursuance of the actual or reasonably apparent requirements of the code, or not transmitted in accordance with the procedures set up by the code, or by other abuses of tax administration. As to these,

your committee believes that a proper application of existing law will enable the courts, in the future as generally in the past, to deny treatment as overpayments to these improper payments.

Cross reference.

Section 4 (d) of the bill also adds new subsection (d) to section 3770. This is a cross reference provision.

Review of allowance of interest.

Section 4 (e) of the present bill corresponds to section 3 (b) of the House bill and amends section 3790 of the code relating to prohibition of administrative review of the Commissioner's decision on the merits and claims presented under the internal revenue laws. Because of the difficulty of applying the rules provided in the House bill, the present bill has extended the scope of section 3790 to include interest on any credit or refund under the internal revenue laws.

CURRENT PAYMENT OF TAX NOT WITHHELD AT SOURCE

The House bill provided for a system of current payment of individual income tax only to the extent of a so-called estimated basic tax (net Victory tax plus normal tax plus first-bracket surtax) on income not constituting wages subject to withholding at source. The system proposed under the present bill provides for the current collection of all individual income (including Victory) tax on income to the extent that such taxes are not paid through withholding at source.

Section (5) of the bill strikes sections 58, 59, and 60 of the code, which are cross-reference provisions, and inserts in lieu thereof new sections 58, 59, and 60 to provide for the current payment of that portion of the individual's tax liability not required to be withheld at source. Withholding at source is at a rate designed to approximate the net Victory tax, the normal tax, and first bracket surtax and applies only with respect to wages (as defined in sec. 1621). The current payment system is designed to provide for collection during the taxable year of the remaining tax liability for such year. Accordingly, it provides for the current collection of the net Victory tax on income not subject to withholding at source, for the current collection of the surtax above the first bracket on wages, and for the current collection of the normal tax and surtax on income not subject to withholding at source. The amount of the current payment is to be determined upon the basis of a declaration by the taxpayer of his estimated tax liability for the current taxable year.

Subsection (a) of section 58 prescribes the rules for determining what persons are required to make a declaration of estimated tax. Nonresident aliens and estates and trusts are specifically excepted from the requirement to make such declaration and from the current payment system. Under the House bill, nonresident alien individuals who are residents of a contiguous country and who enter and leave the United States at frequent intervals were not excepted from the requirement for a declaration since with respect to wages received for services performed in the United States such nonresident aliens are subject to tax in the same manner and to the same extent as citizens of the United States. However, with respect to other classes of income from sources within the United States, such nonresidents are subject to the special provisions of law applicable to nonresident

aliens in general, including the withholding provisions of section 143. Hence, your committee deems it advisable at the present time to except such nonresident aliens, with other nonresident aliens, from the operation of the current payment system. The requirements as to who shall make and file a declaration are based generally upon the amount and kind of the estimated gross income for the current taxable year or the amount and kind of the actual gross income for the preceding taxable year, and the personal status of the individual as single or married at the time prescribed for the making of the declaration. Under the House bill, the amounts of gross income which determined the necessity for a declaration of estimated tax were based upon the amounts which determined the necessity for a return under section 51. Your committee amendments will require declarations of estimated tax in certain cases from persons required to make returns of Victory tax under the provisions of section 455, even though such persons would not be required to make returns under the provisions of section 51. These amendments are designed to collect the Victory tax currently in the case of individuals who are not subject to withholding at the source and to equalize the system of current collection as between such persons and persons subject both to the Victory tax and the regular income tax.

Under the conditions set forth in section 58 (a), every individual who, at the time prescribed for the making of the declaration, is single or is married but not living with husband or wife shall make and file a declaration of his estimated tax for the taxable year if—

- (1) His gross income from wages (as defined in sec. 1621) can reasonably be expected to exceed \$2,700 for the taxable year; or

- (2) His gross income from wages (as defined in sec. 1621) did exceed \$2,700 for the preceding taxable year; or

- (3) It can reasonably be expected that for the taxable year his gross income from sources other than wages (as defined in sec. 1621) will exceed \$100 and his gross income from all sources will amount to \$500 or more; or

- (4) His gross income for the preceding taxable year from sources other than wages (as defined in sec. 1621) did exceed \$100 and his gross income from all sources for the preceding taxable year was \$500 or more.

Every individual who, at the time prescribed for the making of the declaration, is married and living with husband or wife shall make a declaration of his estimated tax for the taxable year if—

- (1) It can reasonably be expected that for the taxable year, such individual will receive gross income from wages (as defined in sec. 1621) and the aggregate gross income of such individual and such spouse from wages will exceed \$3,500; or

- (2) In the preceding taxable year, such individual received gross income from wages (as defined in sec. 1621) and the aggregate gross income of such individual and such spouse from wages exceeded \$3,500; or

- (3) It can reasonably be expected that for the taxable year such individual will receive gross income from sources other than wages (as defined in section 1621), the aggregate gross income of such individual and such spouse from sources other than wages will

exceed \$100, and (a) the gross income from all sources of such individual will exceed \$624 or (b) the aggregate gross income of such individual and such spouse from all sources will amount to \$1,200; or

(4) In the preceding taxable year such individual received gross income from sources other than wages (as defined in section 1621), the aggregate gross income of such individual and such spouse from sources other than wages exceeded \$100, and (a) the gross income from such sources of such individual for the preceding taxable year exceeded \$624, or (b) the aggregate gross income from all sources of such individual and such spouse for the preceding taxable year was \$1,200 or more.

For the purposes of section 58, the amount of the gross income which the taxpayer can reasonably be expected to receive or, in the case of a taxpayer upon the accrual basis, the amount which can reasonably be expected to accrue, shall be determined upon the basis of the facts and circumstances existing as of the time prescribed for the making of the declaration.

Subsection (b) of section 58 prescribes the rules relative to the form and content of the taxpayer's declaration of estimated tax. It is required generally that the declaration shall be in such form and contain such information as may be prescribed by the Commissioner under regulations approved by the Secretary. Subsection (b) specifically requires that the declaration shall state (1) the amount which the taxpayer estimates as the amount of his tax under sections 11 and 12, or section 400, as the case may be, and the Victory tax imposed by section 450 (adjusted for the credit provided in sec. 453), without regard to any credits for tax withheld at source; (2) the amount which he estimates as the amount of the credits allowable for the taxable year under sections 32, 35, and 466 (e) on account of tax withheld at source on tax-free covenant bonds and wages; and (3) the excess of the amount estimated under (1) over the amount estimated under (2). Under subsection (b) the "estimated tax for the taxable year" is the excess of the amount estimated by the taxpayer as the tax imposed by chapter 1 (without regard to the credit for taxes withheld at source) over the amount which the taxpayer estimates as the amount allowable as a credit for the taxable year for taxes withheld at the source. The subsection further provides that every declaration of estimated tax for the taxable year shall contain or be verified by a written statement that it is made under the penalties of perjury.

Under the provisions of subsection (c) a husband and wife living together at the time prescribed for making a declaration may elect to make a joint declaration in which case the liability with respect to the estimated tax shall be joint and several. A joint declaration by husband and wife shall be signed and verified by both spouses. If the declaration is signed by one spouse as agent for the other, authorization for such action must accompany the declaration. No joint declaration is permitted if either husband or wife is a nonresident alien. If the husband and wife make a joint declaration but do not make a joint return for the taxable year the amounts paid on account of the estimated tax for such year may be treated as payments on account of the tax liability of either the husband or wife for the taxable year or may be divided between them in any manner they see fit.

The time and place for filing declarations of estimated tax required under section 58 are prescribed in subsection (d) of such section. Such declarations must be filed on or before the 15th day of the third month of the taxable year by every person whose then anticipated income for the current taxable year or whose actual income for the preceding taxable year meets the requirements of subsection (a). In the more usual case of taxpayers on the calendar year basis, such declarations are to be filed on or before the 15th day of March. In the case of taxpayers on a fiscal year basis, such date will be the 15th day of the third month of the particular fiscal year. If, under the provisions of subsection (a) a declaration is not required on or before the 15th day of the third month of the taxable year but subsequent thereto the facts and circumstances are such that the gross income for the taxable year can reasonably be expected to meet the requirements of such subsection, a declaration of the estimated tax liability is required to be filed. In such event, the declaration must be filed on or before the 15th day of the last month of the quarter of the taxable year in which the requirements of subsection (a) are first met. For instance, a single person was hired on January 2, 1944, at a salary of \$2,400 per annum. He had no other source of income, could not reasonably expect to receive any other income, and did not receive any income during the preceding taxable year. In the absence of any change of circumstances before March 15, 1944, such person is not required to make a declaration as of that date. On July 1 such person was advised that he was promoted to a higher position and that thereafter his salary would be increased to \$3,200 per year. Hence, on that date the gross income of such person for the taxable year could reasonably be expected to exceed \$2,700. Therefore, assuming that such taxpayer makes his income tax return on a calendar year basis, a declaration of his estimated tax liability for the taxable year should be filed on or before the 15th day of September of such year.

Under the provisions of subsection (d), an amended or revised declaration is permitted, subject to such regulations as may be prescribed by the Commissioner with the approval of the Secretary. Such amended or revised declaration may be filed in any quarter of the taxable year subsequent to the quarter in which the declaration or the last amended declaration was filed. The revised estimate shown in such amended declaration shall not take effect with respect to any quarter unless filed on or before the 15th day of the third month of such quarter. Declarations of estimated tax liability and all amended or revised declarations shall be filed with the collector of internal revenue for the district in which is located the legal residence or principal place of business of the person making such declaration or if the declarant has no legal residence or principal place of business in the United States, such declarations and amendments and revisions shall be filed with the collector of internal revenue at Baltimore, Md. Any such amended declaration shall be filed with the collector for the district in which the original declaration was filed.

Subsection (e) of section 58 authorizes the Commissioner to grant a reasonable extension of time for filing the declaration of the estimated tax under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no extension shall be granted for a period of more than 6

months. This provision is the same in substance as the comparable provision of the House bill, except that the present bill applies the same rules relative to extension to payment of the estimated tax.

Subsection (f), relating to persons under disability, provides that if the taxpayer is unable to make his own declaration a declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer. In such case, the taxpayer and his agent shall be responsible for the declaration as made and incur liability for any penalties provided for erroneous, false, or fraudulent declaration.

Under subsection (g), it is provided that the fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

Subsection (h) makes applicable to declarations of estimated tax the provisions of section 55, relating to publicity of returns.

With the exception of the foregoing section 58 (h) and the differences due to the basic difference in the systems of current payment of tax in the House bill and in the present bill, section 58 of the present bill is substantially the same as the corresponding section 58 of the House bill.

Section 59 of the present bill is substantially the same as section 59 of the House bill except for technical amendments necessitated by the requirement for current payment of the entire tax instead of only the basic tax as under the House bill, and a clarifying amendment relating to installment payments of the estimated tax.

Under the provisions of new section 59, if the declaration of the estimated tax is made on or before the fifteenth day of the third month of the taxable year, such tax shall be paid in four equal installments. In such case the first installment shall be paid at the time of filing the declaration, the second installment on the fifteenth day of the sixth month, the third installment on the fifteenth day of the ninth month, and the fourth installment on the fifteenth day of the twelfth month of the taxable year.

If the declaration of estimated tax is filed after the fifteenth day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year. For example, if the declaration is filed on the fifteenth day of the sixth month of the taxable year, the estimated tax shall be paid in three equal installments.

If, pursuant to section 58 (e), the Commissioner grants an extension of time within which to make a declaration of estimated tax, installments of such tax shall be paid at such time and under such conditions as the Commissioner may prescribe.

If a taxpayer files an amended or revised declaration of estimated tax, the remaining installments of estimated tax shall be ratably increased or decreased, as the case may be, to reflect any change made in the previously estimated tax by such amendment or revision. For example, on March 15, 1944, the taxpayer filed a declaration of estimated tax for the calendar year 1944 in the amount of \$600. An installment of \$150 was paid at the time of making such declaration. However, on June 15, 1944, the taxpayer filed an amended declaration disclosing an estimated tax for the taxable year of \$300 instead of the \$600 originally estimated. As a result of such amended declaration,

the installments of estimated tax required to be paid on June 15, September 15, and December 15 will each be \$50.

At the election of the taxpayer, any installment of estimated tax may be paid prior to the date prescribed for its payment.

As stated above, section 58 (e) authorizes the Commissioner, under certain conditions, to grant an extension of time for payment of the estimated tax.

The section further provides that payment of the estimated tax shall be considered payment on account of the income (including Victory) tax imposed by chapter 1 for the taxable year. The taxpayer will, of course, have to file his regular income-tax return as usual, and on such return the estimated tax paid will be taken into account. All such payments of estimated tax are, for the purpose of the provisions of law relating to refund or credit of the tax imposed by chapter 1, including the provisions relating to interest on overpayments of such tax, deemed to have been paid on the fifteenth day of the third month following the close of the taxable year.

Subsection (b) of section 59 provides that the estimated tax shall be assessed only to the extent paid. Thus, the collector may not distraint for any unpaid installment of estimated tax. Such provision, however, shall not be construed to prevent the application of section 146 relating to the closing by the Commissioner of the taxable year.

New section 60 provides special rules for the application of sections 58 and 59 relating to the declaration and payment of the estimated tax. Subsection (a) allows the individual whose estimated gross income from farming for the taxable year is at least 80 percent of his total estimated gross income from all sources for the taxable year the option of filing his declaration on or before the fifteenth day of the last month of the taxable year, in lieu of the time prescribed for other individuals under section 58 (d). This provision recognizes the difficulty of estimating in the early part of the taxable year the amount of income which will be derived from ordinary farm operations. Weather conditions, plant and animal diseases, ravages of insects and other pests, are among the factors which contribute to the uncertainty of such income. The estimated gross income from farming is the estimated income of the farm entrepreneur from the cultivation of the soil and the raising or harvesting of any agricultural or horticultural commodities, and the raising of livestock, bees, or poultry. In other words, the requisite gross income must be derived from the operations of a stock, dairy, poultry, fruit, or truck farm, or plantation, ranch, nursery, range, or orchard.

Subsection (b) of new section 60 authorizes the Commissioner, with the approval of the Secretary, to prescribe suitable regulations for the application with respect to short taxable years of section 58, 59, and 294 (a) (3), (4), and (5), added to the Internal Revenue Code by the bill. Thus, the rules applicable to short taxable years with respect to the declaration and payment of the estimated tax, and additions to the tax for failure to make a timely declaration of estimated tax, timely payment of installments of estimated tax or for substantial underestimates of tax, are to be established by regulations.

Subsection (c) prescribes the special rule governing the transition to the system of current payment of the income tax on income not

subject to withholding at source. The subsection provides the rule applicable with respect to the filing of the first declaration required under the bill. In the case of a taxable year which is the calendar year 1943, the declaration is to be filed on or before September 15, 1943. In the case of a taxable year which is a fiscal year beginning after January 1, 1943, the declaration shall be filed on such date as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Apart from the date for filing the first declaration, all of the other rules prescribed in the bill with respect to declarations generally shall be applicable to such first declaration. The subsection makes it clear that the payments which taxpayers are required to make with respect to their 1942 tax shall be applied to decrease ratably the installments of estimated tax for taxable years beginning in 1943.

Section (5) (b) of the bill adds to section 294 (a) of the code three new paragraphs, numbered (3), (4), and (5). These paragraphs contain sanctions relating to the filing of declarations and payment of installments of estimated tax and to the proper estimate of tax.

Paragraph (3) provides for an addition to the tax in the case of failure to make and file a declaration of estimated tax within the time specifically prescribed by this bill or within the time prescribed by the Commissioner under the authority granted by the bill. Such addition to the tax shall be in an amount equal to 10 percent of the tax. The term "the tax" for the purpose of this provision means the tax imposed by chapter 1 of the code. The present bill eliminates from the comparable provision of the House bill the minimum penalty of \$10.

Paragraph (4) provides for an addition to the tax imposed by chapter 1 of the code in the case of the failure to pay an installment of the estimated tax within the time specifically prescribed in the bill or within the time prescribed by the Commissioner pursuant to authority granted by the bill. Such addition to the tax shall be in the amount of 2½ percent of the tax imposed by chapter 1, but in no event shall such addition be less than \$2.50. In the case of husband and wife who file a joint declaration of estimated tax for the taxable year, and subsequently file separate returns for such year, the addition to the tax in the case of a failure to pay an installment of the estimated tax within the time prescribed shall be 2½ percent of the tax imposed on each spouse under chapter 1, but not less than \$2.50 in the case of each spouse.

Paragraph (5) provides for an addition to the tax in the case of a substantial underestimate of tax. In view of the fact that the taxpayer may revise his estimate of tax quarterly throughout the taxable year, and as late as the 15th day of the last month of the taxable year, the provision for an addition to the tax is a reasonable sanction to insure the payment during the taxable year of a total amount of estimated tax closely approximating the actual liability for the year. In the case of individuals other than farmers exercising the election under section 60 (a), an addition to the tax imposed by chapter 1 is provided in the event that the amount of the estimated tax (increased by the amounts of the credits for taxes withheld at source) is less than 80 percent of the amount of the tax imposed by that chapter (determined without regard to the credits for taxes withheld at source). The parenthetical expressions represent a change from the comparable provision of the House bill, designed to obviate hardship in certain

cases. In the event of a failure to file any declaration where one is due, the amount of the estimated tax for the purposes of this provision will be zero. In the case of farmers exercising the election under section 60 (a), the addition to the tax is applicable if the amount of the estimated tax, increased as stated above, is less than 66% percent of the amount of the tax imposed by chapter 1, determined as stated above. The addition to the tax shall be an amount equal to 6 percent of the difference between the amount of the estimated tax so increased, and the tax imposed by chapter 1 so determined; or the difference in dollars, whichever is the lesser. To illustrate: (1) Taxpayer A files a declaration showing an estimated tax of \$200, based upon the excess of an amount estimated as the amount of tax without regard to withholding credit, \$800, over the amount which he estimates as the withholding credit for tax withheld at source on wages, \$600. His tax for the year, determined without regard to the withholding credits, is \$1,200. The actual amount of tax withheld on his wages is \$700. Eighty percent of his tax for the year determined without regard to the withholding credits, is \$960. The amount of the estimated tax, which is \$200 (\$800 minus \$600), increased by the amount of the credit for tax withheld at source (\$700) is \$900. Accordingly, taxpayer A is subject to the penalty. Applying the 6-percent rate, the amount of the penalty is \$18 (6 percent of \$1,200 minus \$900). The penalty of the dollar amount of the excess is not applicable because that excess is \$300 (\$1,200 minus \$900). The 6-percent penalty is the lesser, and therefore applicable.

(2) Taxpayer B files a declaration showing an estimated tax of \$200, based upon the excess of an amount estimated as the amount of tax without regard to withholding credit, \$800, over the amount which he estimates as the withholding credit for tax withheld at source on wages, \$600. His tax for the year, determined without regard to the withholding credits, is \$950. The actual amount of tax withheld on his wages is \$550. The amount of the estimated tax, which is \$200 (\$800 minus \$600), increased by the amount of the credit for tax withheld at source (\$550) is \$750. Accordingly, since 80 percent of \$950 is \$760, taxpayer B is subject to the penalty. Applying the 6-percent rate, the amount of the penalty is \$12 (6 percent of \$950 minus \$750). The penalty of the dollar amount of the excess is \$10 (\$760 minus \$750). Since the dollar amount penalty is less than the penalty at the 6-percent rate, the former is applicable.

Subsection (c) of section (5) of the bill amends section 145 (a) of the code. Section 145 (a) prescribes criminal penalties for the willful failure to make and file returns, keep records, supply information, or pay tax. By the amendment contained in section 5 (c) the same penalties are made applicable to the failure to make and file declarations and pay the estimated tax.

Section (5) (d) of the bill terminates the privilege of installment payments of tax in the case of all individuals subject to the system of current collection of income taxes provided in the bill. The bill contemplates that since the payments made during the taxable year will be based upon the reasonably anticipated tax liability for that year (which should closely approximate the actual tax liability in view of the privilege granted to the taxpayer to revise his estimate), there is no occasion for retaining the installment privilege. The requirement, pursuant to section 56 (a), for payment on the 15th day

of the third month following the close of the taxable year of any excess of the actual liability over the amount of estimated tax paid during the taxable year should not create a hardship in any case where a reasonable and proper estimate is made during the taxable year. Despite the amendment made by subsection (d), any payment of tax or any payment of an installment of tax due and payable before September 1, 1943, shall be made in accordance with the requirements of the present law. In other words, a taxpayer on the calendar year basis, who pays his 1942 tax liability in installments, must pay his March 15, and June 15, 1943, installments of 1942 tax.

Subsection (e) of section 5 provides that the amendments made by section 5 of the bill shall be effective with respect to taxable years beginning after December 31, 1942. Thus, the recommended system for current payment of individual income tax not withheld at source applies only to taxable years beginning on or after January 1, 1943.

RELIEF FROM DOUBLE PAYMENTS IN 1943

Section 6 of the committee bill contains provisions relating to the problem of transition to the system of current collection of tax liabilities. This section differs materially from the corresponding section of the House bill. This difference is occasioned by the fact that under the House bill the system of current collection of tax liabilities is applied only to normal tax, surtax at the first bracket rate and the net Victory tax, the balance of tax liability for any taxable year being collected in the year following the receipt of the income as under existing law. Under the House bill, the transition problem was met by the discharge of the liability for tax for the taxable year beginning in 1942 only to the extent of the normal tax plus a percentage of the surtax net income at the first bracket rate. Thus, the amount discharged corresponded approximately to the amount to be collected currently in cases in which the income for the 2 years is approximately the same.

Your committee bill calls for the collection currently of the entire tax liability. Section 6 of the bill meets the problem of transition by discharging the entire liability for the taxable year commencing in 1942. Under subsection (a) of section 6 this discharge is made applicable as of September 1, 1943, to all persons to whom the system of current collection of tax liabilities applies, with the exception of any case in which the taxpayer is convicted of any criminal offense with respect to the tax for the taxable year 1942 or in which additions to the tax for such taxable year are applicable by reasons of fraud. It is also provided that interest and additions to the tax for the taxable year 1942 shall be collected as a part of the tax for the taxable year 1943.

In order, however, to prevent certain windfalls as a result of the discharge, subsections (b) and (c) of section 6 of your committee bill provide for an increase of the 1943 tax liability in certain situations. The net effect of these increases, which is more fully explained below, is to reduce the amount of the relief from 1942 tax liability but for administrative reasons the entire 1942 tax liability is discharged and the reduction is couched in terms of an increase in the 1943 liability which would otherwise be due. There are no comparable provisions in the House bill.

Subsection (b) of section 6 of your committee bill provides a special rule applicable in cases in which the 1942 tax would have been greater than the 1943 tax. In such a case an amount equal to the excess of the 1942 tax over the 1943 tax (in both instances determined without regard to interest, additions to the tax, and credits for amounts withheld at source) is added to the 1943 tax liability. For example, a taxpayer who is married but has no dependents and who had a net income for the taxable year 1942 of \$10,000 and would, therefore, be liable for a tax in the amount of \$2,152 for the year 1942 but for the provisions of subsection (a) of section 6, is nevertheless liable for that minimum amount of tax for the year 1943, even though his net income for 1943 were to drop to a figure which would produce a tax liability less than \$2,152. If, for example, his net income for the year 1943 were only \$2,000, producing a tax liability of approximately \$180, he would have added to his liability for 1943 the difference between \$2,152 and \$180, or \$1,972. A special exception to this rule makes such an increase of the 1943 tax liability inapplicable with respect to persons entering upon active service with the armed forces in 1942 or 1943, to the extent that the excess of the 1942 tax over the 1943 tax is attributable to earned net income as defined in section 25 (a) (4) of the Internal Revenue Code. The determination of the portion of the excess of 1942 tax over 1943 tax which is attributable to earned net income is to be determined under regulations prescribed by the Commissioner with the approval of the Secretary.

The increase in the tax liability for 1943 which is effected by subsection (b) of section 6 is considered to be a part of the 1943 tax which is to be paid currently during the taxable year. Therefore, on the occasion of the taxpayer's filing his declaration of estimated tax for 1943 on September 15, in the case of a taxpayer on a calendar year, the tax liability for the taxable year 1943 as estimated by the taxpayer will include any increase resulting from the operation of subsection (b) of this section. Thus, in the case of a calendar year taxpayer (other than a taxpayer who entered the armed forces in 1942 or 1943) who elected to pay his 1942 tax in installments, the September and December installments of estimated tax can never be less than one-fourth of the 1942 tax less whatever amount is estimated to be withheld at source.

Subsection (c) of section 6 contains two additional situations in which the 1943 tax liability is increased as a result of, in effect, reducing the amount of the 1942 tax liability discharged. In both of the situations covered under subsection (c), however, the resulting increase in the 1943 tax is considered not to be a part of the 1943 estimated tax which is to be paid currently during the taxable year. Such increase, therefore, is required to be paid at the time prescribed for the payment of the tax for the 1943 year. Subsection (d) of this section, which will be subsequently discussed, provides for a manner in which this increase may be paid over a period of 4 years. In effect, in each of the situations covered under subsection (c) the principle involved is the same, namely the reduction in the amount of relief from tax liability for 1942 or 1943, whichever year is the measure of relief, from a full year's relief to a lower amount in cases where the taxpayer's income has risen substantially when compared with the income of a previous period. This lower amount of tax relief is

obtained by computing a tentative tax for the year otherwise serving as the measure for relief, based on the amount of the surtax net income of the base year plus \$10,000. As in subsection (b) the tax for the year 1942 is technically discharged and the excess of tax liability over the relief so computed is added as an increase of 1943 tax. The subsection provides that the increase in tax will be determined under regulations of the Commissioner. It is contemplated that such regulations will prescribe the details relating to the comparisons of the years involved, the computations of the tentative tax on which such increase is based, the method of determining the composition of the income on which the tentative tax is computed, and other matters involved.

The first situation covered by subsection (c) of section 6 is one in which the tax for the taxable year 1942 (determined without regard to interest and additions to the tax and credits for amounts withheld at source) is less than that for the taxable year 1943 (similarly determined) and where the surtax net income of the taxpayer for any one of the taxable years 1938, 1939, or 1940, whichever may be selected by him (hereafter referred to as the base year), plus \$10,000 is less than the surtax net income of the taxpayer for the taxable year 1942. In such a case relief from the liability for the taxable year 1942 is limited to an amount equal to a tentative tax computed as if the portion of the surtax net income for the taxable year which is not greater than the sum of the surtax net income for the base year plus \$10,000 constituted both the surtax net income for the taxable year 1942 and the net income for such taxable year after allowance of all credits against net income. The effect of this provision is to limit the discharge of the 1942 liability to an amount of tax computed on an amount of surtax net income and net income equivalent to that of the base year plus \$10,000 computed at the 1942 rate rather than on the income for 1942. The amount of income on which the tentative tax is computed is composed of the same type of income as the income of the 1942 taxable year. Thus if the 1942 income consisted entirely of capital gains the tentative tax would be computed as a tax on capital gains. The excess of the 1942 tax over the tentative tax computed in this manner is discharged and the amount of such excess is added as part of the 1943 tax liability.

An example will illustrate the application of this provision. Taxpayer A had a surtax net income of \$5,000 for his base year. In 1942 he had a tax liability of \$13,002. For 1943 his tax without regard to this section amounted to \$14,000. His surtax net income for 1942 was \$30,000 and was composed entirely of dividends and interest. By taking the amount of his surtax net income for his base year of \$5,000 and adding to it the sum of \$10,000, a tentative tax for 1942 for income thus constituted would be \$4,680. Thus, the amount by which the tax for 1943 is increased is the difference between \$13,002 and \$4,680 or \$8,322.

The second situation covered in subsection (c) is one in which the tax for the taxable year 1942 (determined without regard to interest, additions to the tax and credits for amounts withheld at source), is equal to or greater than the tax for 1943 similarly determined and the surtax net income of the taxpayer for the base year plus \$10,000 is less than the surtax net income for the taxable year 1943. Where the tax for 1942 exceeds the tax for 1943, subsection (b) initially operates to

increase the 1943 tax by the amount of the excess. In such a case the relief from liability for the taxable year 1942 is further limited by subsection (c) to an amount equal to a tentative tax computed as if the portion of the surtax net income for the 1943 taxable year which is not greater than the sum of the surtax net income for the base year plus \$10,000, constituted both the surtax net income for the taxable year 1943 and the net income for such taxable year after allowance of all credits against net income. An additional factor is present when reference is had to 1943 as the year for measuring the relief owing to the fact that Victory tax is applicable to this year. It is necessary, therefore, in arriving at the tentative tax to compute a tentative victory tax based on an amount determined by a ratio based upon relationships with respect to the types of 1943 incomes. Thus, the computation in this situation is similar to the computation made in the first situation covered, but the comparison between the surtax net income of the taxable years and the excess amount of tax over the tentative tax is based on the surtax net income of the 1943 year and the computation takes its particular form from the manner in which the income for 1943 is constituted.

Subsection (d) of section 6 provides that at the election of the taxpayer made under regulations prescribed by the Commissioner with the approval of the Secretary, the time for the payment of the portion of the tax for 1943 equal to the increase occasioned by the application of subsection (c) shall be extended. If so extended such portion of the tax shall be paid in four equal installments, the first of which shall be paid on the fifteenth day of the fifteenth month following the close of the taxable year and one of the remaining three installments shall be paid on the last day of each succeeding 12-month period. It is provided that the Commissioner may condition this extension upon the furnishing of a bond not exceeding the amount of such increase with such surety or sureties as he may deem necessary. If the time is extended for payment of this portion of the tax, it is provided further in this subsection that there shall be collected as a part of the tax, interest in the amount of 4 percent per annum on each such installment from the date prescribed for the payment of the tax for the taxable year until the date on which such installment is paid or payable whichever is the earlier. If any installment is not paid on or before the date on which it is payable, it and the remaining installments shall be paid upon notice and demand from the collector and interest at the rate of 6 percent per annum is to be collected from the payable date until the date of payment.

Subsection (e) provides special rules for the application of subsections (b) and (c) and requires that in computing the tax for the taxable year 1943, the credit for foreign tax shall be determined without regard to any increase in the 1943 tax by reason of subsections (b) and (c). It further provides that in applying sections 105, 106, and 107 of the Internal Revenue Code (relating to limitations on tax) any increase in the tax occasioned by subsections (b) and (c) shall likewise be disregarded. This subsection also contains a provision for the computation of the increase in tax under either subsection (b) or (c) where a joint return is made by a taxpayer to whom either one of the subsections apply. The rule is stated that the taxes of the spouses of the taxable year for which a joint return is not made shall be aggregated for the purposes of subsections (b) and (c), and,

in addition, provides that if the taxable year for which a joint return is not made is the taxable year 1943, the liability for the increase in the tax under subsections (b) and (c) shall be joint and several.

Subsection (f) of section 6 provides that subsection (a) shall not apply to an individual who died during the taxable year 1942. Thus, no amount of the tax liability of such a person is discharged.

Subsection (g) of section 6 provides for the treatment of payments made on account of the 1942 tax. Any payment (other than interest and additions to the tax) made on account of the tax imposed by chapter I of the Internal Revenue Code for the taxable year 1942 upon a taxpayer whose liability is discharged under subsection (a) is considered as payment on account of the estimated tax for 1943. Where any payment of such tax is made pursuant to an extension of time granted by the Commissioner prior to September 1, 1943, such payment is likewise treated as a payment of estimated tax for 1943 and is required to be paid despite the fact that the provisions of your committee bill discharging the tax liability are effective as of September 1, 1943. If the taxpayer should become delinquent prior to September 1 in the payment of his tax or any installment, the fact that the liability for 1942 tax is discharged as of that date is specifically provided as not relieving the taxpayer of his liability for the tax. Such payment, however, is to be treated as a timely payment would be, namely, as a payment on account of estimated tax liability for 1943. The effect of this subsection is to require taxpayers who have elected to pay in installments to continue undiminished their payments on account of 1942 tax liability for all installments which would be due before September 1, 1943. In the event of an extension of time or of delinquency occurring before September, the legal consequences resulting are no different from what they would be under existing law and only after the payments for which time has been extended or which have become delinquent have been paid, do such payments take the character of payments on account of estimated tax for 1943. This subsection further contains the rule that if any payment on account of the tax for 1942 is made pursuant to a joint return, the payment may be treated as a payment on account of the estimated tax of either the husband or the wife or may be divided between them.

Subsection (h) of section 6 contains the definition of the term "taxable year" when used in reference to the years 1938, 1939, 1940, 1942, or 1943 in the section. It provides that the term means the taxable year beginning in such enumerated year. When used in conjunction with 1942 or 1943 it does not mean any taxable year of less than 12 months, unless such short year is occasioned by the death of the taxpayer or unless there is no taxable year of 12 months beginning in the calendar year. Thus there will be no relief from tax liability with respect to the short taxable year 1942 where a taxpayer effects a change from a calendar- to a fiscal-year basis but the 12-month fiscal year beginning in 1942 will be the year for which tax is discharged.

ADDITIONAL ALLOWANCE FOR MILITARY AND NAVAL PERSONNEL

Section 22 (b) (13) of the code makes provision for an exclusion from gross income in the case of personnel below the grade of commissioned officer in the military and naval forces of the United States. The amount to be excluded under this provision is not to exceed \$250

in the case of a single person and \$300 in the case of a married person or head of a family and applies only to salary or compensation received for active service in the armed forces during the present war.

The House bill would amend section 22 (b) (13) of the code to effect an exclusion from gross income in the case of military and naval personnel, without distinction as to rank, with respect to the compensation received during any taxable year and before the termination of the present war as proclaimed by the President for active service during such war. The amount to be so excluded would not exceed the excess of \$3,500 over the personal exemption claimed under section 25 (b) of the code.

Your committee bill amends section 22 (b) (13) to provide for a flat exclusion of \$1,500 from gross income in the case of all military and naval personnel, without distinction as to rank, with respect to such compensation. The amount of such exclusion is not to be reduced by the personal exemption claimed under section 25 (b) of the code.

The amendment would apply only with respect to taxable years beginning after December 31, 1942, and not, as under the House bill, with respect to all compensation received after December 31, 1941, by a member of the military or naval forces of the United States for active service in such forces.

ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES UPON DEATH

Under the House bill supplement U is added to chapter 1 of the code to relieve a member of the military or naval forces of the United States who dies on or after December 7, 1941, in active service from the liability for the tax imposed by chapter 1 for the taxable year in which falls the date of his death. In addition thereto, the supplement provides that any tax imposed under chapter 1 or under the corresponding title of any prior revenue act (including interest and additions to the tax) which is unpaid as of the date of death shall not be assessed. If any such tax, interest, or additions to the tax have been assessed and are unpaid at the date of death, such assessment or assessments shall be abated. If the amount of any such liability which was unpaid as of the date of death is collected subsequent to such date, the amount so collected shall be credited or refunded as an overpayment.

Your committee has revised the House version of this new supplement to limit the relief granted therein to that portion of the income taxes which is attributable to earned net income as defined in section 25 (a) (4) of the code. In addition, the taxes in respect to which such relief is granted are limited, in general, to those which would have become due and payable after the date when such individual entered upon active service in such forces or the effective date of the Selective Service Act (September 16, 1940) whichever date is the later, assuming that such member paid, or would have paid, his taxes in quarterly installments to the extent provided for in the code. If the liability for the portion of such taxes which is attributable to earned net income is outstanding at the date of death, your committee provides that the liability shall be abated. If such portion of the taxes has been paid at any time, your committee provides that the amount paid shall be credited or refunded as an overpayment.

To effectuate this policy, your committee bill classifies such deceased members of the armed forces into three groups according to the year in which they entered upon active duty in such forces, and states with respect to each group those taxes (or the portions thereof) of which the members of the group are to be relieved. This classification was made necessary by reason of the transition in the year 1943 to a current tax basis.

The first category applies to those who entered upon such service before the commencement of the taxable year beginning in 1943. The taxes to be abated, credited, or refunded to members in this group are: (1) the tax attributable to earned net income for the taxable year in which falls the date on which he entered upon such service or September 16, 1940, whichever date is the later; (2) the tax attributable to earned net income for all subsequent taxable years while he was in such service; and (3) for the taxable year last preceding the date on which he entered upon such service or September 16, 1940, whichever date is the later, that portion of the tax for such preceding year attributable to earned net income which bears the same ratio to the entire tax so attributable as the number of quarters in the taxable year referred to in (1) subsequent to the date on which he entered upon such service or September 16, 1940, whichever date is the later, bears to four. Thus, for example, if the individual (on a calendar-year basis) enters the service on July 1, 1942, he would be exempt from the tax attributable to his earned net income for the year 1942, for all subsequent years in the service and for one-half of the tax so attributable for the calendar year 1941. If he entered the service on July 1, 1940, he would be exempt from such tax for 1940 and subsequent years in service and for one-fourth of such tax for 1939.

The second category consists of those members of the armed forces who entered upon such service in the taxable year beginning in 1943. The taxes to be abated, credited, or refunded in respect of this class are: (1) that portion of the tax for the taxable year beginning in 1943 (not including the increase in such tax prescribed by the "windfall" provision contained in section 6 (b) of your committee bill), which bears the same ratio to the total tax (not including such increase) as the number of quarters in such taxable year subsequent to the date on which he entered upon such service bears to four, to the extent such portion is attributable to earned net income; and (2) the tax attributable to earned net income for all subsequent taxable years during which he was in such service.

The third category is made up of those members who entered upon such service after the end of the taxable year beginning in 1943. The taxes to be abated, credited, or refunded in respect of this group are all the taxes which are attributable to earned net income for the taxable years during which they were in such service but not including the taxable year during which they entered upon such service.

In computing the tax to be abated, credited, or refunded under (3) of the first category and (1) of the second category, a fractional part of a quarter subsequent to the date on which he entered upon such service or September 16, 1940, whichever date is the later, shall be disregarded unless it exceeds 15 days, in which case it shall be considered a quarter.

ASSISTANT COMMISSIONERS

Section 9 of the bill amends the Internal Revenue Code to authorize the appointment of two Assistant Commissioners, who shall be appointed by the President, by and with the advice and consent of the Senate. The amendment provides that the Assistant Commissioners shall perform such duties as may be prescribed by the Commissioner or acquired by law.

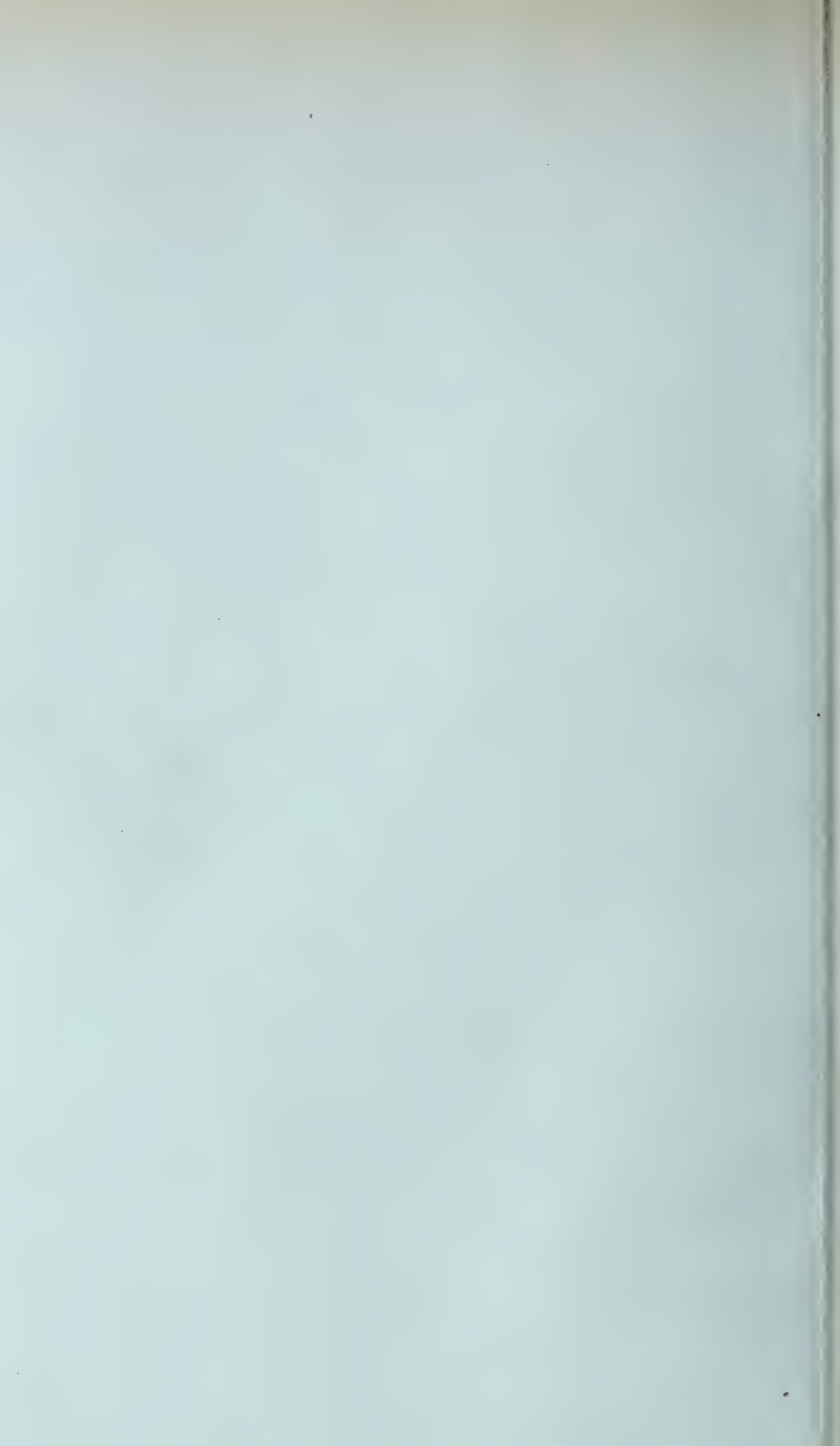
POWERS OF APPOINTMENT

Section 10 of the bill extends the time in connection with the release of powers of appointment for estate and gift tax purposes from July 1, 1943, to March 1, 1944.









CURRENT TAX PAYMENTS ACT OF 1943

MAY 11, 1943.—Ordered to be printed

MR. LA FOLLETTE, under authority of the order of the Senate of May 10, 1943, from the Committee on Finance, submitted the following.

INDIVIDUAL VIEWS

[To accompany H. R. 2570]

In his Budget message to Congress January 11 the President estimated that Federal expenditures for the prosecution of the war during the fiscal year 1944 would total \$100,000,000,000.

Under present law the total anticipated receipts of the Federal Government for the next fiscal year will amount to \$35,000,000,000. To finance the Nation's war effort, and at the same time absorb a critical part of the \$50,000,000,000 worth of potentially inflationary national income over and above the value of civilian goods which will be available for purchase, the President recommended the collection of "not less than \$16,000,000,000 of additional funds by taxation, savings, or both, during the fiscal year 1944."

No amount of legislative legerdemain in the cancelation of 1942 income-tax liabilities can alter the inescapable fact that war expenditures are increasing and will require increased payments from the great majority of taxpayers in the next 12 months. The increase can be effected by advancing collections on 1943 income taxes with adoption of a pay-as-you-go plan and doubling up payments on 1942 and 1943 tax liabilities, or by raising rates later in the year when Congress undertakes a general revenue bill.

Cancelation of any liability now can only mean, in the aggregate, a heavier liability later. It is my conviction that the average taxpayer would rather learn the bad news now while he still has time to plan for 1943 taxes, than be misled by the false sound of cancelation and then be presented with a drastic increase in 1943 rates when the calendar year is almost over and his income spent or earmarked for other purposes.

Under present law the Treasury Department estimates the revenue from individual income taxes in the fiscal year 1944 would amount to \$12,999,500,000.

If the Federal Government commenced current collections against taxes on 1943 income July 1, without canceling the 1942 liability, allowing the individual taxpayer to pay in quarterly installments in the calendar year 1944 that part of his 1943 tax not met in 6 months of current collections from July to December 1943, it would increase the revenue for the fiscal year 1944 by approximately \$8,000,000,000.

Cancellation of 1942 liabilities dissipates this revenue gain.

Although the expedient of canceling 1942 tax liabilities has no significance so far as reducing the ultimate tax burden of the war, it is significant as a means of redistributing that burden at the expense of the lower- and middle-income groups.

It is a foregone conclusion that the amounts forgiven each of the various income groups cannot, as a practical matter, be recovered from exactly the same groups through increased rates. The rates in the upper brackets cannot be raised substantially and, consequently, the taxpayers in the middle- and lower-income groups will have to pay later in one form or another not only the full amount now forgiven them but also a substantial part of the 1942 taxes of the taxpayers in the upper brackets.

The following table shows the effective tax-rate increases that would have to be imposed on each tax bracket to recover from each bracket over a 3-year period the same amount forgiven.

Net income before personal exemption	Effective rates of income and net Victory tax liability, present law	Effective tax rate increase necessary to recoup canceled 1942 taxes at same income levels over a 3-year period
	Percent	Percent
\$2,000.....	9.4	2.3
\$3,000.....	13.5	3.6
\$5,000.....	17.9	5.0
\$10,000.....	24.7	7.2
\$100,000.....	68.6	21.4
\$1,000,000.....	89.9	28.5

Source: Treasury Department.

From the following table, showing the effective tax rates on individual incomes, it is clear that the greatest increases in rates must necessarily fall upon taxpayers with net incomes between \$1,500 and \$25,000.

Married person—no dependents

Net income before personal exemption ¹	Effective rates of present law	Net income before personal exemption ¹	Effective rates of present law	Net income before personal exemption ¹	Effective rates of present law
	Percent		Percent		Percent
\$1,200.....	3.2	\$5,000.....	14.9	\$25,000.....	36.9
\$1,500.....	5.7	\$6,000.....	16.5	\$50,000.....	50.7
\$1,800.....	7.0	\$8,000.....	19.2	\$100,000.....	64.1
\$2,000.....	9.3	\$10,000.....	21.5	\$500,000.....	82.8
\$2,500.....	10.8	\$15,000.....	27.0	\$1,000,000.....	85.4
\$3,000.....	13.3	\$20,000.....	32.3	\$5,000,000.....	87.5
\$4,000.....					

¹ Maximum earned net income assumed.

Source: Treasury Department, Division of Tax Research.

Whether the increased burden takes the form of increased income-tax rates, compulsory savings, or consumption taxes, the middle- and lower-income taxpayers are going to foot the bill. And the Treasury has indicated that practically all of the additional \$16,000,000,000 increase in collections will have to come from individual taxpayers in the final analysis, whatever forms the levies may take.

In the case of consumption taxes the following table shows how the income groups under \$10,000 per year and particularly those under \$2,000 would be most seriously burdened because of the larger percentages of their incomes that go to consumption.

TABLE A.—Families: Average outlay for personal taxes, consumption, gifts, and savings, by money income level, 1942 ¹

Income level	Percentage of income for—			
	Personal taxes ²	Consumption ³	Gifts to organizations ⁴	Savings ⁵
Under \$500.....	0.6	133.4	1.5	—35.5
\$500 to \$1,000.....	.3	104.4	.8	—5.5
\$1,000 to \$1,500.....	.2	97.8	.6	1.4
\$1,500 to \$2,000.....	.2	88.2	.7	10.9
\$2,000 to \$2,500.....	.2	83.6	.9	15.3
\$2,500 to \$3,000.....	.4	79.7	.9	19.0
\$3,000 to \$4,000.....	.8	75.2	1.1	22.9
\$4,000 to \$5,000.....	1.8	70.7	1.2	26.3
\$5,000 to \$7,500.....	2.7	63.2	1.3	32.8
\$7,500 to \$10,000.....	3.4	55.0	1.5	40.1
\$10,000 and over.....	18.3	33.4	.7	47.6
All levels.....	4.0	70.5	1.0	24.5

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of two or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar year basis. The form of average used is the arithmetic mean.

² Personal taxes shown here include only individual-income taxes, poll taxes, and certain minor personal-property taxes. It should be noted that sales taxes, excise taxes, and all indirect taxes on consumption are included under expenditures for goods and service.

³ Consumption consists of money expenditures only.

⁴ Gifts consist only of money contributions to the church, the Red Cross, and other institutions and funds.

⁵ Savings are defined as the net change in assets and liabilities of the spending unit during the year, exclusive of gains or losses from revaluation of assets.

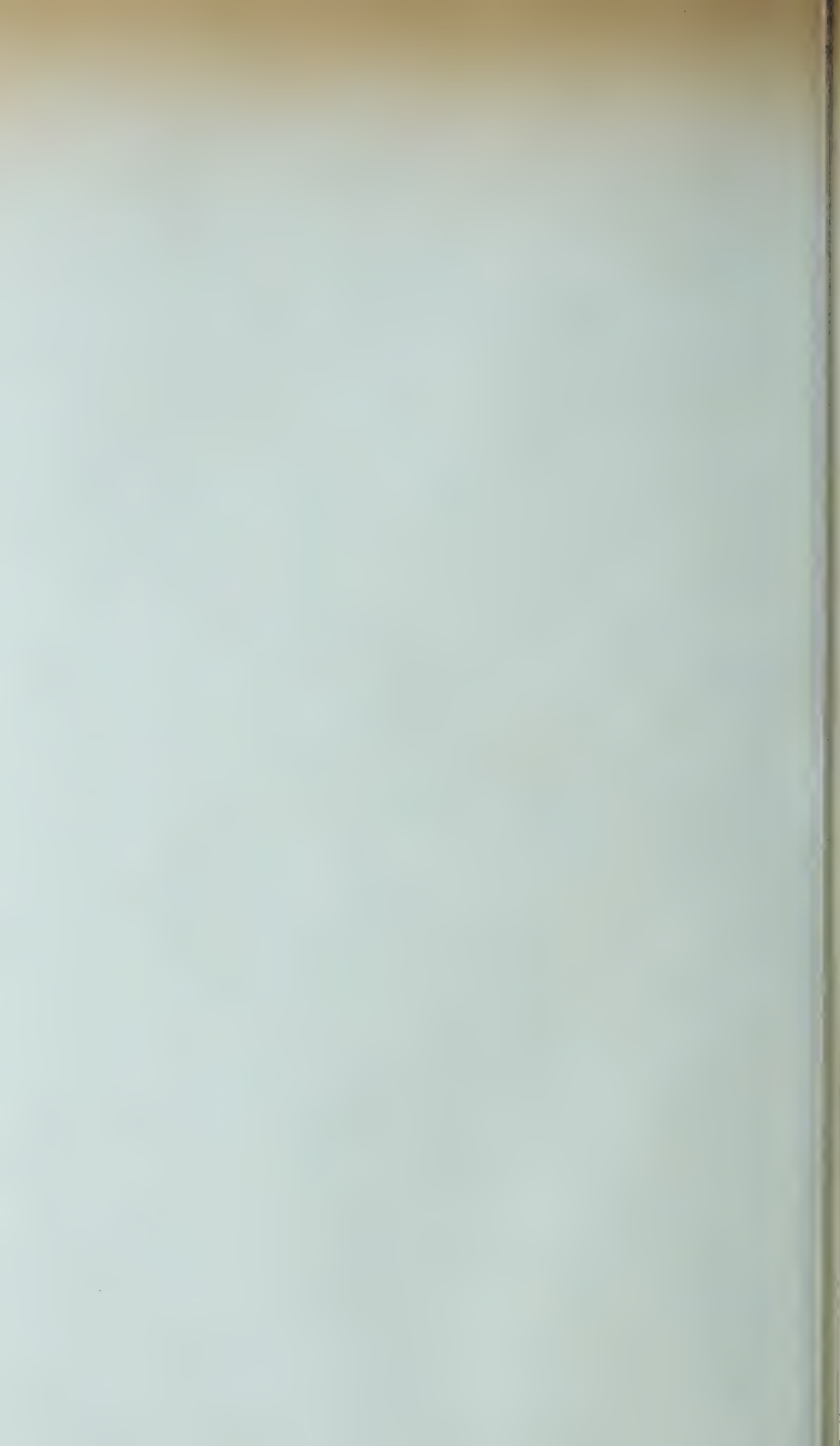
Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

To enact legislation at this time, forgiving existing tax liabilities will compel Congress to raise tax rates later in the year. Those who vote now to cancel taxes already assessed and partly collected must take the responsibility of raising the tax levies on millions of people in the middle- and lower-income groups some time during 1943.

ROBERT M. LA FOLLETTE, Jr.









United States
of America

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PROCEEDINGS AND DEBATES OF THE 78th CONGRESS, FIRST SESSION

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WASHINGTON, WEDNESDAY, MAY 12, 1943

No. 86

Senate

Dr. Oscar F. Blackwelder, pastor of the Lutheran Church of the Reformation, Washington, D. C., offered the following prayer:

Father of us all, in whose purposes is the destiny of men, races, and nations, we pause at this noon hour to place ourselves in harmony with Thy purposes for us and for our Nation.

We thank Thee for the refreshment and encouragement of prayer and the practice of silent moments. Help us to hear Thy voice speaking in our minds and consciences above the noise of storm and strife.

With evil so rampant in our world, Thou who art righteousness, grant us the power to be honorable. With cruelty so casual, Thou who art mercy, grant us the power to have courage without hate. With dark days about us, Thou who art the source of all light, grant us the power of Thy eternal presence.

Give wisdom to the leaders who gather today in the White House and in the Congress. Bless our fathers and mothers, our children under new temptations, our brave young men and women everywhere.

So may the peace of God which passeth all understanding guard our minds and hearts. Through Jesus Christ, our Lord, Amen.

THE JOURNAL

On motion of Mr. HILL, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Monday, May 10, 1943, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting several nominations were communicated to the Senate by Mr. Miller, one of his secretaries.

CALL OF THE ROLL

Mr. HILL. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Alken	Ferguson	O'Daniel
Austin	George	Overton
Bailey	Gerry	Pepper
Ball	Gillette	Radcliffe
Bankhead	Green	Reed
Barbour	Guffey	Revercomb
Bilbo	Gurney	Reynolds
Bone	Hatch	Robertson
Brewster	Hawkes	Russell
Bridges	Hayden	Scrugham
Brooks	Hill	Shipstead
Buck	Holman	Stewart
Burton	Johnson, Colo.	Taft
Bushfield	Kilgore	Thomas, Idaho
Butler	La Follette	Thomas, Okla.
Byrd	Langer	Thomas, Utah
Capper	Lodge	Tobey
Caraway	Lucas	Tunnell
Chandler	McClellan	Tydings
Chavez	McFarland	Vandenberg
Clark, Idaho	McNary	Van Nuys
Clark, Mo.	Maloney	Wagner
Connally	Maybank	Walsh
Danaher	Millikin	Wheeler
Davis	Moore	Wherry
Downey	Murdoch	White
Eastland	Murray	Wilson
Ellender	Nye	

Mr. HILL. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Kentucky [Mr. BARKLEY], the Senator from Virginia [Mr. GLASS], and the Senator from South Carolina [Mr. SMITH] are absent from the Senate because of illness.

The Senator from Missouri [Mr. TRUMAN] and the Senator from Washington [Mr. WALLGREN] are out of the city conducting hearings on behalf of the Special Committee to Investigate National Defense.

The Senator from Nevada [Mr. McCARRAN] is absent conducting hearings in the West on behalf of the Senate.

The Senator from New York [Mr. MEAD] is detained on important public business.

The Senator from Tennessee [Mr. McKELLAR] and the Senator from Wyoming [Mr. O'MAHONEY] are necessarily absent.

Mr. McNARY. The Senator from California [Mr. JOHNSON] is absent because of illness.

The Senator from Indiana [Mr. WILLIS] is necessarily absent.

The VICE PRESIDENT. Eighty-four Senators having answered to their names, a quorum is present.

EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following communication and letter, which were referred as indicated:

SUPPLEMENTAL ESTIMATE, DEPARTMENT OF AGRICULTURE (S. Doc. No. 38)

A communication from the President of the United States transmitting for the consideration of Congress a reduction in an estimate of appropriation, in the amount of \$23,342,000, and also a supplemental estimate of appropriation in the amount of \$250,000, for the Department of Agriculture, fiscal year 1944, in the form of amendments to the Budget (with an accompanying paper); to the Committee on Appropriations and ordered to be printed.

DISPOSITION OF EXECUTIVE PAPERS

A letter from the Archivist of the United States, transmitting, pursuant to law, a list of papers and documents on the files of the Departments of Justice, Navy, and Agriculture (2), Federal Works Agency, the National Archives, and Federal Communications Commission which are not needed in the conduct of business and have no permanent value or historical interest, and requesting action looking to their disposition (with accompanying papers); to a Joint Select Committee on the Disposition of Papers in the Executive Departments.

The VICE PRESIDENT appointed Mr. BARKLEY and Mr. BREWSTER members of the committee on the part of the Senate.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the VICE PRESIDENT:

A letter addressed to the President of the Senate by the chairman of the Municipal Council of St. Thomas and St. John, V. I., transmitting copy of a resolution adopted by that council (bill No. 39) recommending that Robert M. Lovett be retained as Government Secretary of the Virgin Islands, despite any charges which may have been preferred against him (with an accompanying paper); to the Committee on Territories and Insular Affairs.

By Mr. BUSHFIELD:

Petitions of sundry citizens of the State of South Dakota, praying for the enactment of the so-called Bryson bill for the wartime control and regulation of the liquor traffic, House bill 2082 to reduce absenteeism, conserve manpower, and speed production of

materials necessary for the winning of the war; to the Committee on the Judiciary.

By Mr. CAPPER:

A petition of sundry citizens of Burden, Kans., praying for the enactment of Senate bill 860, relating to the sale of alcoholic liquors to the members of the land and naval forces of the United States; to the Committee on Military Affairs.

CONFIRMATION BY SENATE OF CERTAIN GOVERNMENT EMPLOYEES—INDIVIDUAL VIEWS FILED DURING ADJOURNMENT

Under authority of the order of the 10th instant.

Mr. HATCH, as a member of the Committee on the Judiciary, on the 11th instant filed his individual views on the bill (S. 575) to provide that officers in the executive branch of the Government who receive compensation at a rate in excess of \$4,500 a year shall be appointed by the President, by and with the advice and consent of the Senate, in the manner provided by the Constitution, which were ordered to be printed as part 3 of Report No. 180.

INDIVIDUAL VIEWS ON CURRENT PAYMENT OF INDIVIDUAL INCOME TAX—FILED DURING ADJOURNMENT

Under authority of the order of the 10th instant,

Mr. LA FOLLETTE, as a member of the Committee on Finance, on the 11th instant, filed his individual views on the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, which were ordered to be printed as part 2 of Report No. 221.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. MALONEY, from the Committee on Banking and Currency:

S. 35. A bill to authorize the use for war purposes of silver held or owned by the United States, with an amendment (Rept. No. 223).

By Mr. WALSH, from the Committee on Naval Affairs, all without amendment:

S. 973. A bill to amend sections 2 and 4 of the act approved June 27, 1942, entitled "An act to authorize the appointment of commissioned warrant and warrant officers to commissioned rank in the line and staff corps of the Navy, Marine Corps, and Coast Guard, and for other purposes" (Rept. No. 224);

S. 995. A bill to provide a penalty for violation of regulations or orders with respect to persons entering, remaining in, leaving, or committing certain acts within or upon vessels, harbors, ports, and water-front facilities (Rept. No. 225);

S. 1064. A bill to provide for the reorganization of the Marine Corps, and for other purposes (Rept. No. 226); and

S. 1067. A bill to amend the first paragraph of section 10 of the Pay Readjustment Act of 1942 to provide for allowances to midshipmen of the Naval Reserve for quarters and subsistence when not furnished in kind (Rept. No. 227).

REPORT OF THE APPROPRIATIONS COMMITTEE—APPROPRIATIONS FOR THE JUDICIARY AND LEGISLATIVE BRANCH: AMENDMENT

Mr. TYDINGS. Mr. President, from the Committee on Appropriations I report back with amendments the bill (H. R. 2409) making appropriations for the legislative branch and for the judi-

ciary for the fiscal year ending June 30, 1944, and for other purposes, and I submit a report (No. 222) thereon.

The VICE PRESIDENT. The report will be received and the bill will be placed on the calendar.

Mr. TYDINGS. In accordance with rule XL of the Standing Rules of the Senate, I hereby give notice in writing that it is my intention to move to suspend paragraph 4 of rule XVI for the purpose of proposing to the bill (H. R. 2409) making appropriations for the legislative branch and for the judiciary for the fiscal year ending June 30, 1944, and for other purposes, the following amendment, namely, on page 10, after line 3, insert the following:

Notwithstanding the provisions of the third paragraph under the heading "Clerical assistance to Senators" of section 1 of the Legislative Appropriation Act for the fiscal year ending June 30, 1928 (2 U. S. C. 92a), in the case of the death of a Senator during his term of office, his clerical assistants on the pay roll of the Senate on the date of such death shall be continued on such pay roll at their respective salaries for a period of not to exceed 60 days: *Provided*, That any such clerical assistants continued on the pay roll shall, while so continued, perform their duties under the direction of the Secretary of the Senate, and he is hereby authorized and directed to remove from such pay roll any such clerks who are not attending to the duties for which their services are continued.

I also submit, for appropriate disposition, an amendment intended to be proposed by me to House bill 2409, the judiciary and legislative branch appropriation bill.

The VICE PRESIDENT. The amendment submitted by the Senator from Maryland will be printed and lie on the table.

(For text of the amendment above referred to, see the foregoing notice.)

Mr. TYDINGS. Mr. President, I will say a brief word about the proposed amendment, so that Senators may not feel that it is something of transcendental importance.

In the case of the death of a Senator it has always been the custom to allow his secretary to remain on the pay roll for 30 days after his decease. That is, of course, because it is necessary to have some one familiar with a Senator's papers and effects who can turn them over to his widow, or children, or the representative of his estate.

I think it is provided in the House of Representatives that a Representative's office force shall remain on the roll for 90 days, the idea there being that when a Member of the House dies he cannot be replaced until his successor is elected, whereas in the case of a Senator, usually within 30 days, or certainly within a short period, in many States his successor is appointed by the Governor.

However, in order to avoid hardship in a case where a Senator has been a Member of this body for a long time—for instance, in the case of a Senator such as the late Senator Borah, who was in the Senate for 25 or 30 years—it would be a shame if his papers had to be disposed of in a hurry. The amendment I expect to propose will provide that the secretary of a Senator who has died may

remain on the pay roll, not for 30 days, as now provided, but for not more than 60 days if the extra time is needed.

Mr. BURTON. As I understand, the proposed amendment relates not merely to the secretary of a deceased Senator, but to his entire staff.

Mr. TYDINGS. The Senator is correct; it relates to the office force, insofar as is necessary to wind up the affairs of a deceased Senator.

HEARINGS BEFORE THE COMMITTEE ON PRINTING

Mr. HAYDEN. Mr. President, from the Committee on Printing, I report an original resolution and ask that it be read and referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

The resolution (S. Res. 149) was read and referred to the Committee to Audit and Control the Contingent Expenses of the Senate, as follows:

Resolved, That the Committee on Printing, or any subcommittee thereof be, and is hereby, authorized during the Seventy-eighth Congress to send for persons, books, and papers, to administer oaths, and to employ a stenographer, at a cost not exceeding 25 cents per hundred words, to report such hearings as may be had in connection with any subject which may be referred to said committee, the total expenses pursuant to this resolution (which shall not exceed \$5,000) to be paid out of the contingent fund of the Senate; and that the committee, or any subcommittee thereof, may sit during sessions or recesses of the Senate.

Mr. HAYDEN subsequently, from the Committee to Audit and Control the Contingent Expenses of the Senate to which was referred the foregoing resolution, reported it without amendment and it was considered by unanimous consent and agreed to.

BILLS AND JOINT RESOLUTIONS INTRODUCED

Bills and joint resolutions were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. MOORE:

S. 1091. A bill for the relief of M. C. Roberts; to the Committee on Claims.

By Mr. BALL:

S. 1092. A bill for the relief of the Winona Machine & Foundry Co., a corporation of Winona, Minn.; to the Committee on Claims.

By Mr. HATCH:

S. 1093. A bill for the relief of Fermin Salas; to the Committee on Claims.

S. 1094 (by request). A bill to provide for the disposal of materials or resources on the public lands of the United States which are under the exclusive jurisdiction of the Secretary of the Interior; and

S. 1095 (by request). A bill to amend sections 6, 7, and 8 of the act entitled "An act to provide for the leasing of coal lands in the Territory of Alaska, and for other purposes," approved October 20, 1914 (38 Stat. 741, 743; 48 U. S. C., secs. 440, 441, 442); to the Committee on Public Lands and Surveys.

By Mr. BAILEY:

S. 1096. A bill to establish a Bureau of Vital Records in the United States Public Health Service, and for other purposes; to the Committee on Commerce.

By Mr. DOWNEY:

S. 1097. A bill to amend Public Law 45, Seventy-eighth Congress, approved April 29, 1943, with respect to the payment of old-

age assistance under the Social Security Act, without regard to income and resources arising from agricultural labor; to the Committee on Appropriations.

By Mr. THOMAS of Oklahoma:

S. 1098. A bill for the relief of Benjamin E. Cook, administrator of the estate of Cam C. Boyd, deceased; to the Committee on Finance.

By Mr. McFARLAND:

S. 1099. A bill to amend section 212 of Public Law No. 212, Seventy-second Congress, with respect to persons giving medical examinations to persons inducted into the land or naval forces of the United States; to the Committee on Military Affairs.

By Mr. McNARY (for Mr. JOHNSON of California):

S. 1100. A bill to provide for the promotion of officers on the retired list of the Army after specified years of service on active duty; to the Committee on Military Affairs.

By Mr. VANDENBERG:

S. 1101. A bill to provide for the payment of the claim of John C. Shaw, administrator de bonis non of the estate of Sydney C. McLouth, deceased, arising out of a contract between said deceased and the United States Shipping Board Emergency Fleet Corporation, for the construction of seagoing tugs; to the Committee on Claims.

By Mr. GEORGE:

S. J. Res. 58 (by request) Joint resolution to continue the temporary increase in postal rates on first-class matter, and for other purposes; to the Committee on Post Offices and Post Roads.

By Mr. WILEY:

S. J. Res. 59. Joint resolution authorizing the President of the United States of America to proclaim Armed Services Honor Day for the recognition and appreciation of the patriotic devotion to duty of all members of all branches of the armed military and naval forces of the United States of America; to the Committee on the Judiciary.

CURRENT PAYMENT OF INDIVIDUAL INCOME TAX—AMENDMENTS

Mr. DAVIS and Mr. CLARK of Missouri (for the Finance Committee) each submitted an amendment intended, respectively, to be proposed to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, which were severally ordered to lie on the table and to be printed.

CONTINUATION OF FARM PROGRAMS—AGRICULTURAL APPROPRIATIONS

Mr. LANGER. I desire to bring to the attention of the Senate various telegrams received by me in behalf of the Farm Security Administration and other agricultural agencies, and on behalf of the farmers of the Northwest requesting that the Senate reinstate certain appropriations taken out of the agricultural appropriation bill by the House of Representatives.

The first telegram is from Gladstone, N. Dak., and reads as follows:

GLADSTONE, N. DAK., May 11, 1943.

Hon. WILLIAM LANGER:

We expect your support Agriculture Adjustment Act on wheat loans soil conservation and parity payment supervised by county committees.

LORENTZ DASSINGER.

The next is from Cartwright, as follows:

CARTWRIGHT, N. DAK., May 10, 1943.

Senator WILLIAM LANGER,
Senate Office Building,

Washington, D. C.:

We in special session ask for your wholehearted support in helping to save our

triple-A program and all of its benefits to agriculture. We know you will put up a gallant fight in our behalf. Power to you from 150 farm members.

SIOUX FARMERS UNION, LOCAL No. 639.

I have received a telegram from Edmore, N. Dak., reading as follows:

EDMORE, N. DAK., May 7, 1943.

Hon. WM. LANGER,

Senate Office Building:

Ninety members of Newland local urge your support for continuation of Agricultural Adjustment Agency and Farm Security Administration crop insurance incentive payments and parity payments.

OLLA I. KIRKREITZCY.

The next telegram is from Fillmore, N. Dak., as follows:

FILLMORE, N. DAK., May 6, 1943.

Senator WILLIAM LANGER,

Washington, D. C.:

We urge your support of the following legislation, continued soil conservation and Agricultural Adjustment Administration programs run by farmers, ample funds for Farm Security Administration, crop insurance, incentive payments, and nonrecourse loans for essential crops and parity payments. This local of Farmers' Union—100 members.

S. CLIFTON MARPLE,

Secretary.

L. S. POTTINGER,

President.

Here is a telegram from Selfridge, N. Dak.:

SELFPRIDGE, N. DAK., May 6, 1943.

Hon. WILLIAM LANGER,

Senate Office Building,

Washington, D. C.:

Want farmer-control program, wheat-loan adjustment, incentive parity payments.

ANTON ENGEL.

Mr. Engel is one of the best-known farmers in the Northwest.

I have also received a telegram from Venturia, N. Dak., reading as follows:

VENTURIA, N. DAK., May 7, 1943.

Hon. SENATOR LANGER,

Washington, D. C.:

Do your utmost to appropriate adequate funds for farm programs.

G. G. DRIETLING.

Mr. Drietling is a well-known farmer at Venturia.

I have another telegram from Carpio, N. Dak., which reads as follows:

CARPIO, N. DAK., May 7, 1943.

Hon. WILLIAM LANGER,

United States Senate,

Washington, D. C.:

Plain Farmers' Union local, representing 50 farm families, demand your support of the agriculture programs as they were.

Mrs. MARCUS GILBERTSON,

Secretary.

The next was from Ashley, N. Dak., reading as follows:

ASHLEY, N. DAK., May 7, 1943.

Hon. Senator LANGER,

Washington, D. C.:

Farmers depending on you to restore funds for farm programs.

SAMUEL DREFFS.

I might add that these telegrams come from every section of the State of North Dakota, and in my judgment truly represent the feeling of that State.

WHY CONGRESS SHOULD ACT NOW—ADDRESS BY SENATOR THOMAS OF UTAH

[Mr. GREEN asked and obtained leave to have printed in the RECORD an address entitled "Why Congress Should Act Now," delivered by Senator THOMAS of Utah in open-

ing the discussion on a program entitled "United Nations Today and Tomorrow Discussion Series," at Constitution Hall, Washington, D. C., May 10, 1943, which appears in the Appendix.]

HIGHWAYS TO INTER-AMERICAN UNITY—ADDRESS BY SENATOR CHAVEZ

[Mr. McCLELLAN asked and obtained leave to have printed in the RECORD an address entitled "Highways to Inter-American Unity," delivered by Senator CHAVEZ before a meeting of the American Roadbuilders Association, Chicago, Ill., May 6, 1943, which appears in the Appendix.]

PAY-AS-YOU-GO TAX LEGISLATION—ADDRESS BY SENATOR LUCAS

[Mr. CLARK of Missouri asked and obtained leave to have printed in the RECORD a radio address on the withholding and pay-as-you-go tax plan adopted by the majority members of the Senate Finance Committee, delivered by Senator LUCAS, May 11, 1943, which appears in the Appendix.]

A VICTORY ESSENTIAL—FREEDOM OF THE PRINTED WORD: ADDRESS BY SENATOR WILEY

[Mr. WILEY asked and obtained leave to have printed in the RECORD an address entitled "A Victory Essential—Freedom of the Printed Word," delivered by him at the auditorium in Milwaukee on May 10, 1943, at a meeting arranged by the Graphic Arts Association of Milwaukee, which appears in the Appendix.]

THE PARTY OF TOMORROW—ADDRESS BY SENATOR BURTON

[Mr. BURTON asked and obtained leave to have printed in the RECORD an address entitled "The Party of Tomorrow," delivered by him at Columbus, Ohio, May 7, 1943, before the spring conference of the Ohio Federation of Republican Women's Organizations, which appears in the Appendix.]

FREE ENTERPRISE IN THE POST-WAR ERA—ADDRESS BY SENATOR McCLELLAN

[Mr. McCLELLAN asked and obtained leave to have printed in the RECORD an address entitled "Free Enterprise in the Post-War Era," delivered by him at the annual convention of the American Roadbuilders Association, at Chicago, Ill., May 6, 1943, which appears in the Appendix.]

TRIBUTE TO ELBRIDGE W. PALMER

[Mr. STEWART asked and obtained leave to have printed in the RECORD a brief history of the life of Elbridge W. Palmer, president of Kingsport Press, Inc., which appears in the Appendix.]

TRIBUTE TO THE LATE LT. GEN. FRANK M. ANDREWS—EDITORIAL FROM NASHVILLE (TENN.) BANNER

[Mr. STEWART asked and obtained leave to have printed in the RECORD an editorial entitled "Andrews—A Loss Indeed," published in the Nashville (Tenn.) Banner of May 5, 1943, which appears in the Appendix.]

CENSORSHIP OF THE NEWS—EDITORIAL FROM MILES CITY (MONT.) DAILY STAR

[Mr. WHEELER asked and obtained leave to have printed in the RECORD an editorial discussing Government censorship of the news, published in the Miles City (Mont.) Daily Star, which appears in the Appendix.]

ORIENTALIZATION OF WORLD—ARTICLE FROM THE CHICAGO TRIBUNE

[Mr. HOLMAN asked and obtained leave to have printed in the RECORD an article entitled "Orientalization of World," by Col. Robert R. McCormick, from the Chicago Tribune of May 2, 1943, which appears in the Appendix.]

HOW LONG WILL OUR CORN LAST?— ARTICLE BY RUSS CUNNINGHAM

[Mr. BROOKS asked and obtained leave to have printed in the RECORD an article entitled "How Long Will Our Corn Last?" by Russ Cunningham, from the Prairie Farmer of April 17, 1943, which appears in the Appendix.]

STATE LAWS REGULATING VOTING HOURS

[Mr. LUCAS asked and obtained leave to have printed in the RECORD a digest of the State laws concerning the polling hours for voting in Federal elections, which appears in the Appendix.]

VOTING BY WAR WORKERS—GALLUP POLL

[Mr. McFARLAND asked and obtained leave to have printed in the RECORD an article by George Gallup, entitled "Low Voting Turn-out of War Workers Poses Serious Problem for Democrats," which appears in the Appendix.]

DIRECT OBLIGATIONS OF THE UNITED STATES AS COLLATERAL SECURITY FOR FEDERAL RESERVE NOTES

The VICE PRESIDENT. The routine morning business is concluded.

Mr. WAGNER. Mr. President, I ask unanimous consent to take from the calendar order of business No. 217, Senate bill 1041, and proceed to its consideration. I am sure no Senator will object to the bill.

The VICE PRESIDENT. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 1041) to extend the period during which direct obligations of the United States may be used as collateral security for Federal Reserve notes.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

Mr. TAFT. Mr. President, reserving the right to object, I will say that I wish to have Calendar No. 219, Senate bill 658, taken up at the same time. Senate bill 658 would amend another section of the Federal Reserve Act very close to the section proposed to be amended by the bill referred to by the Senator from New York. I think the bill to which I refer also is not controversial. It has the approval of the Treasury Department and the Federal Reserve Board. I hope both bills may be considered, if that is agreeable to the Senator from Georgia [Mr. GEORGE], who I know really has the right of way today.

Mr. McNARY. Mr. President, I am willing that these bills shall be brought before the Senate for action, but the two bills cannot be intermixed. The Senator from New York [Mr. WAGNER] might obtain the permission of the Senate to have his bill considered. Following action on that bill the Senator from Ohio would have the right to make a similar request concerning his bill. The two bills cannot be coupled together, however.

Mr. TAFT. Before giving my consent to the unanimous-consent request made by the Senator from New York, I wish to ascertain whether it will be satisfactory to have my bill considered. I can also move to have Senate bill 658 considered.

If that is not satisfactory to the Senator from Georgia, I should not want to agree to any bill being taken up at this time, other than the bill sponsored by the Senator from Georgia.

Mr. McNARY. There are a number of Senators present in the Chamber, and the request must be satisfactory to the last one.

Mr. GEORGE. Mr. President, I do not wish to make any objection. I have conferred with the senior Senator from New York [Mr. WAGNER] and the Senator from Ohio [Mr. TAFT] regarding the two bills referred to, and also with the Senator from New Mexico [Mr. CHAVEZ] regarding a bill which he would like to have considered. I should like to make the general statement that I hope no request will be urged to consider bills which will lead to debate. If the measures in question can be disposed of without controversy, I shall be glad to have them brought up for consideration.

Mr. McNARY. If the able Senator from Georgia would have his bill made the unfinished business, then he could yield temporarily to permit the taking up of the bills referred to, and if argument should ensue concerning them, or any of them, the Senator from Georgia could move the regular order, and thereby protect himself.

CURRENT PAYMENT OF INDIVIDUAL INCOME TAX

Mr. GEORGE. Mr. President, I make the request that the Senate proceed to the consideration of House bill 2570. I should like to say that I have no disposition to forestall consideration of bills which will not lead to controversy.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, which had been reported from the Committee on Finance, with an amendment, to strike out all after the enacting clause, and to insert a substitute.

The VICE PRESIDENT. House bill 2570 is under consideration. The committee amendment to the bill is in the nature of a substitute for the bill, and, under the precedents of the Senate, will be regarded for the purpose of amendment as an original question.

DIRECT OBLIGATIONS OF THE UNITED STATES AS COLLATERAL SECURITY FOR FEDERAL RESERVE NOTES

The VICE PRESIDENT. Is there objection to the request of the Senator from New York [Mr. WAGNER] for the present consideration of Senate bill 1041?

Mr. THOMAS of Oklahoma. Mr. President, I understand this bill was reported from the Committee on Banking and Currency only recently. I have had no opportunity to consider the bill. I remember that in the closing days of the last session the senior Senator from Nevada [Mr. McCARRAN] occupied considerable time on the floor of the Senate discussing the silver question, and I un-

derstand the silver question is involved in this bill.

Mr. WAGNER. Mr. President, the Senator from Oklahoma is mistaken. The bill has nothing to do with the so-called Green bill.

Mr. THOMAS of Oklahoma. It has nothing to do with the so-called Green bill?

Mr. WAGNER. No, nothing at all.

Mr. THOMAS of Oklahoma. Then, Mr. President, I should like to have a statement made with respect to the bill so we can have an understanding of what it contains.

Mr. WAGNER. Mr. President, the bill extends for another period of two years the provision of the law, enacted first in 1932, the purpose of which was to authorize the Federal Reserve banks to issue Federal Reserve notes backed at least by 40 percent gold and 60 percent of either Government obligations or commercial paper. Since at that particular time gold was not plentiful, and since commercial paper was also not plentiful, it was necessary, in order to secure the issuance of Federal Reserve notes, to use some Government obligations as collateral. A little while thereafter gold became quite plentiful, and although each 2 years the right to issue such Federal Reserve notes was extended, it was not utilized until the past year. Now that the circulation of currency has increased and the deposits of banks with the Federal Reserve bank have increased there is not sufficient gold as 100 percent collateral for the Federal Reserve notes. Therefore the amendment to the act proposed by the bill is needed. There being practically no commercial paper, the Federal Reserve banks will need a portion of Government obligations as collateral for the Federal Reserve notes. That is the sole purpose of the bill. If there are any questions to be asked I am quite willing to answer them.

Mr. THOMAS of Oklahoma. Mr. President, reserving the right to object, and I shall not object, I wish to say that in the future when similar bills are brought up I think there should be an explanation made of them when the request for consideration is made, because I was under a misapprehension as to the purpose of the measure. I know it is true that we have in circulation now a little more than sixteen and one-half billion dollars.

Mr. WAGNER. Thirteen billion dollars are Federal Reserve notes, with which we are now concerned.

Mr. THOMAS of Oklahoma. Yes; I understand. It is also true that we have gold in the Treasury to the extent of about twenty-two and one-half billion dollars.

Mr. President, I have no objection to this particular bill. I think it should pass. I do not want the silver bill to come up, however, in the absence of the senior Senator from Nevada [Mr. McCARRAN]. That was my only purpose in raising a question a moment ago.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

Mine Workers of America having refused to participate in its proceedings. Several days prior to the scheduled expiration of the 30-day extension, stoppages gradually and increasingly occurred throughout the Nation. It was clear that on May 1 the Nation would be confronted with virtually a Nation-wide cessation. The President took forthright action and directed me to take possession of the bituminous coal mines throughout the country at which a stoppage had occurred or was threatened. Thus, on Saturday morning, May 1, I took possession for the Government of several thousand large bituminous coal mines throughout the country and issued instructions that operations were immediately to be resumed at such mines and that the United States flag was to fly at the premises. Sunday night the President made his dramatic radio appeal to the coal miners of the Nation to return to work under the United States flag, and by the night shift on Monday miners were beginning to mine coal, the officials of the United Mine Workers of America having declared a 15-day truce. On Tuesday morning full production was resumed at the mines. The menace to our war program had temporarily been avoided.

We can only conjecture as to whether the stoppage would have continued, and for how long, if the Government had not taken possession of the mines. What is clear is that because the Government was in a position to act quickly the situation was temporarily resolved. The success of the Government in meeting the immediate problem is so largely a reflection of the effective operation of the Bituminous Coal Division, that I want to tell you in some detail of the role that that agency has played in the overall program.

Upon receiving instructions from the President to take over the mines, I immediately called in the 11 field office managers of the Bituminous Coal Division, and, after comprehensive discussion of the operating problems incident to governmental possession of several thousand bituminous coal mines, and with a full realization that the administration of the project required regionalization, I established these managers as regional bituminous coal managers to supervise the activities of the operating managers of each of the mines, possession of which had been taken. I appointed, as members of an advisory council to each regional bituminous coal manager, the chairman and labor member of each of the district boards, established under the Coal Act, covering operations within the territorial jurisdiction of the manager. Furthermore, the Secretary of War designated a military official to serve as liaison officer at the offices of each of the regional managers for the purpose of consultation and joint recommendation with the regional manager concerning any requests for military protection that might be forthcoming from the operating managers.

By Monday morning these regional managers were back at their stations throughout the United States. Each had immediately available to him his entire field staff, experienced as a result of Coal Act administration, in the operations of all the mines which had been taken over, and trained in the process of investigation and report so as to be able, through the regional managers, to keep me thoroughly advised as to the progress of operations at the individual mines. As day-to-day problems have presented themselves, since the governmental take-over, I have had a ready source of information. The compliance officers assigned to the various field offices have been circulating among the mines throughout the Nation and keeping me thoroughly advised.

The ready availability of the field units of the Bituminous Coal Division made possible prompt integration of the activities of these units under the supervision of the Washing-

ton staff of the Division. When I received my instructions to take over the mines, I was immediately confronted with innumerable questions, such as what mines should be taken over, their location, the character of operating officials who were available to serve as operating managers for the United States, etc. All of these pressing questions, failure of prompt answer to which would have made the program impossible, were quickly answered by Division experts in Washington in reliance upon the comprehensive data currently maintained by the Division under the Coal Act. Marketing and distribution experts of the Division were available to advise on operating problems, its statisticians and economists offered prompt response to all demands for data and information, its lawyers were immediately pressed into service for the drafting of the necessary documents and the processing of all requests for interpretation from the industry, and its executive personnel supervised the undertaking and geared the whole Division to its enormous task.

No one knows for how long a period it will be necessary for the Government to operate the mines. However, this much is clear: Government supervision must continue until such time as there is adequate assurance that upon return of the mines to private operation full production will not be interrupted. The essential character of the contribution which the Bituminous Coal Division is making to Government operation cannot be overemphasized. For example, one of the first things I did after taking possession of the mines was to issue instructions to all the operating managers to operate their mines 6 days a week. I further indicated that it was my intention to recommend to the Office of Price Administration that the maximum price increase, to cover increased costs of operation incident to the 6-day-week operation inaugurated several months ago, be rescinded as to any mine that failed to comply with the order. The practicalities of the situation required that an application for exemption from the order might be filed by any mine which found that a 6-day-week operation was not feasible. Many of these applications have been filed. Each of them requires speedy but careful processing by experts fully familiar with the operating problems of the mine and in a position to recommend whether the grounds assigned are persuasive or whether a suitable recommendation for rescission of the maximum price increase should be made to the Office of Price Administration. This function is being performed by the division experts who, in addition, are constantly making careful studies as to the over-all operating and distribution situation in the industry for the purpose of advising me whether any emergency program of distribution, whether of allocation, rationing, or otherwise, is required in order to insure equitable distribution of the available supply of bituminous coal.

I am sure the Nation must have drawn a feeling of confidence from the well-coordinated program instituted as part of the Government's action with reference to the threatened controversy. As a result of prudent and far-sighted planning by Division employees, acting for the Office of Solid Fuels Administrator for War, a comprehensive program was launched, creating a pool of bituminous coal which was in railroad cars on track at or about the time of the suspension. Weeks of prior planning, with the constant and sympathetic cooperation of the officials of the War Production Board, the Office of Defense Transportation, and the Interstate Commerce Commission, put the Government in a position where on a few hours' notice, and with the patriotic participation of the railroads, a pool of several million tons of coal was immediately provided, available for release to consumers with less than a 10-day supply of coal. Similarly, within several hours after the 2-week truce was announced on Sunday night, the railroads having com-

municated their desire to have these freeze orders immediately rescinded so as to avoid possible interruption of the most effective utilization of transportation capacity, this release was accomplished at midnight Sunday, May 2, 1943, after discussion at that hour with the officials of the Office of Solid Fuels Administrator for War, War Production Board, Office of Defense Transportation, and the Interstate Commerce Commission.

I am very proud of the manner in which the entire program has been handled. Its success, in very great measure, is a reflection of the efficiency and effectiveness of the Bituminous Coal Division. I have used its entire organization, and I must have it available to me in the future if the Government is to act with the promptness and competence which the delicate character of the situation requires. If the Coal Act were to lapse and the Coal Division to disintegrate, the effective operation of the mines under Government supervision would become practically impossible because of the unavailability elsewhere in the Government of the experienced personnel and technical data necessary for the task.

The 1-cent-a-ton tax levied by the Coal Act not only enables it to pay its own way, but contributes several million dollars a year in excess to the United States Treasury. If the act is allowed to lapse and the Division were to disintegrate, not only would the Government lose the several million dollars' excess in tax collections, it would also have to appropriate funds immediately for the building of elaborate coal staffs at the Office of Price Administration, Office of Solid Fuels Administrator for War, and other Government agencies at a combined cost far in excess of the cost of maintaining the Bituminous Coal Division. The Government, therefore, stands to lose between \$5,000,000 and \$6,000,000 annually by allowing the Coal Act to lapse.

A failure to extend the Coal Act would undoubtedly diminish the possibilities of reasonably expeditious resolution of the wage controversy now pending between the operators and the mine workers. The history of labor relations in this industry has conclusively demonstrated that the turbulence of those relations has been a direct product of the inability of the industry to secure a return of its cost of production. An assurance of that return is provided by the Coal Act. The withdrawal of that assurance would inevitably delay and perhaps make impossible satisfactory resolution of the differences now separating the operators and mine workers.

A failure to renew the act would necessarily carry with it post-war chaos for the bituminous industry comparable to that which followed the termination of the last war. This industry, geared to a 600,000,000-ton production, could not easily readjust itself to a 450,000,000-ton demand. In the process of that readjustment we could look for all of the turmoil, impoverishment, and unemployment which featured the coal industry during the twenties unless the assurance of the return of the cost of production provided by the Coal Act is continued.

In light of the fact that over \$25,000,000 have been invested in the congressional program embraced in the Coal Act, and the further fact that this program has so well achieved the objectives of stabilization which prompted its enactment into law, little justification can be offered for allowing the act to lapse, particularly during a time of war, when the additional functions performed by the agency engaged in its administration are so indispensable to the achievement of an effective solid-fuels program.

A failure by Congress, prior to May 24, 1943, either to complete consideration of the merits of reenacting the Coal Act or to provide for a further temporary extension sufficient to enable that consideration to be completed would leave the Department of the Interior and the

executive branch of the Government absolutely without recourse and the purpose for which the Coal Act was temporarily extended to May 24, 1943, would be defeated. It is my earnest hope that this may be avoided.

Sincerely yours,

HAROLD L. ICKES,

Secretary of the Interior.

HON. JOSEPH F. GUFFEY,
United States Senate.

APRIL 28, 1943.

MR. CHARLES MERZ,
Editor, *New York Times*,
New York, N. Y.

DEAR MR. MERZ: As United States Bituminous Coal Consumers' counsel, I feel it is my duty to answer the editorial, "Why Extend a Bad Act," in your columns of April 21. In general, your charges against the extension of the Bituminous Coal Act of 1937, as amended, are not factual and the omission of collateral facts tends to paint a distorted picture of the act. And throughout you give the impression the act puts "an extra charge on consumers everywhere for the benefit of a special group."

It is true, the Guffey Coal Act of 1935 was sired by doubt and born amid confusion. However, permit me to recall the situation which gave rise to doubts in the minds of lawyers as to the constitutional question of the act. On the one hand, the Court had just declared the National Recovery Administration unconstitutional in a sweeping decision, the implications of which were a matter of widespread speculation at the bar. On the other hand, the Court in 1933—with the same judges sitting—had upheld the legality of Appalachian Coals, Inc., a privately organized corporation of coal operators who proposed to control prices by concerted action.

With these doubts prevailing, the President wrote the celebrated letter. It is true, as you stated, that the Supreme Court declared the first Guffey Coal Act unconstitutional. It is also true—as you neglected to state—that the Supreme Court held only the labor provisions unconstitutional and specifically left open the matter of price control. Congress promptly passed a new act, omitting labor provisions, and this new act was upheld by unanimous decision of the Supreme Court in 1940—another fact which you omitted from your editorial.

Coal stands unique among our natural resources. It is the greatest single source of energy for the Nation. Without coal, there could be no effective functioning of industry, processing of food, maintenance of homes, and transportation of goods. Therefore, coal must be available in the amounts needed and at the hours needed. Unbridled and desperate price competition—characteristic of the coal industry before enactment of the act—is inimical to the best interests of the Nation. Under such conditions, there is a tragic waste of this great natural resource. It also must be remembered that the chemistry of bituminous coal is in its infancy and that the wealth of these deposits is magnified with each new discovery of usefulness. We cannot permit a return to the era of price competition that resulted, according to estimates, in the waste of one ton of coal for every two produced.

Coal alone will not win the present war, but we cannot win the war without it. One and one-half tons of bituminous coal must be mined for every ton of steel manufactured for battleships, tanks, or planes. Bituminous coal is the backbone of all our industrial effort. It provides the power that drives four out of five railroad locomotives, generates 55 percent of our electricity, and furnishes heat for approximately 40 percent of all occupied space-heated dwellings in the United States.

The act stands as a sturdy barrier against the return of conditions that turned the coal industry into a chaotic state during the

First World War. Then, because of an acute coal shortage, only the most essential industries were permitted to operate. A million workers were forced into idleness because of the coal shortage. Thousands of homes were heatless, prices skyrocketed, and there was considerable suffering in the northern part of the country.

After the First World War the bituminous-coal industry underwent a period of price cutting which temporarily led to cheaper prices of coal to the consumer, but which threatened to wreck the coal industry. This, in the long run, would have greatly harmed the consumer. The act was designed to bring order into the industry and to prevent a return to such ruinous conditions in the future. Specifically, the act was designed to (1) eliminate waste of the coal resources of the Nation; (2) eliminate unfair methods of competition; and (3) stabilize the industry through the establishment of minimum prices and, when necessary, maximum prices.

You charge there is some inconsistency in maintaining minimum prices on coal at a time when "the Government is everywhere else trying to fix maximum prices." Of course, we have maximum prices on coal today. These maximum prices were born in the very Coal Act which you attack. The Coal Act, as you neglected to point out, makes provision for maximum prices as well as minimum prices. Six months before Pearl Harbor, and long before the Price Control Act was passed by the Congress, I, as consumers' counsel, instituted a proceeding before the Bituminous Coal Division for the establishment of maximum prices on coal. When the Price Control Act was passed the coal record was complete. Without these records of the Bituminous Coal Division and consumers' counsel, I shudder to think of the grief that would have been encountered in the attempt to establish maximum prices for such a heterogeneous commodity as bituminous coal. The cost-of-living indexes show the increases on coal have been much smaller than those of most other important items in the family budget.

In referring to the coal industry as an "industry on stilts," you may create the impression that minimum prices are high prices. The act provides that minimum prices shall return only average costs of production. These costs do not include any return on capital or any allowances for interest on funded debt, or for income or excess-profits taxes. The costs, as defined by the act, include generally the operating charges rather than capital costs.

It is true the act guarantees to the producers as a whole floor prices which will return the average cost of production. This does not insure any particular producer against loss. How can it be "economically unsound" for the Government to prohibit sales below cost, particularly when such a situation inevitably results in the waste of a most valuable natural resource?

No authority on bituminous coal would be so bold as to assert—as the editorial did—that the industry is monopolistic. A few days at hearings before the Coal Division, where producers and district boards often are in tense disagreement, would change your viewpoint. Furthermore, only a small proportion of the total-cost tonnage is produced by the large companies. There is probably less concentration of ownership in coal than in any other large industry. The act provides for the formation and functioning of marketing agencies, but it must be remembered that the Appalachian Coals, Inc., the largest of all marketing agencies, was functioning prior to the passage of the act and with the blessing of the United States Supreme Court.

By statute, the Bituminous Coal Consumers' Counsel is charged with protecting and representing the interests of the consumers of bituminous coal. In the course of a year,

the agency is in contact with thousands of consumers. Therefore, I should be in a position to express the viewpoint of the consumer toward the act. I have found that consumers realize the coal industry could not operate at a loss forever and that it was in their interest, as well as national economy, to return the industry to economic health. The consumers agree, in general, that Federal control is essential to hold in check the tide of bankruptcy and chaos that marked the coal industry for more than a decade before Federal regulation first was introduced. The consumers ask of Federal regulation the promise that both the destructive price-cutting in the 10 years prior to 1933 and the skyrocketing price level of the First World War and the post-war years be outlawed forever. Furthermore, they ask that a marketing pattern be followed that will prevent a return to the wasteful methods of production and distribution so largely responsible for the chaotic history of coal, and which, in many instances, materially added to the total costs of coal before 1933.

The Coal Act has not been a financial burden to the Government. It is estimated the tax collections from the coal producers for the fiscal year 1943 will be \$5,543,000. The combined expenses of the Bituminous Coal Division and the Bituminous Coal Consumers' Counsel will be \$3,200,000—showing a profit to the Government of \$2,323,000. For the period, May 17, 1937, to June 30, 1942, the profits totaled \$4,248,000.

The Coal Act has been a means of stabilizing this most essential industry. Had the industry been permitted to continue as in the years immediately preceding the act, this Nation today would not be turning out the guns, tanks, planes, and ships in the quantities so necessary to win the war.

The act still has not faced its big test. It hasn't faced a major trial in the type of depressed market which gave rise to the industry's troubles in the years past. The test will come after the war when the demand for bituminous coal on the industrial front is expected to slacken. And, looking immediately beyond the close of military operations, I am convinced the act is absolutely essential to the national welfare in conserving a natural resource, to the survival of the bituminous coal industry, to the economic interests of millions of people directly, or indirectly, dependent upon bituminous coal for a livelihood, and to the 60,000,000 consumers who use bituminous coal in the home for heating and cooking purposes. The act has helped make coal one of the best-handled problems of the war rather than a principal problem child—as in the First World War—and it will function just as effectively in the years after the war.

Sincerely yours,

LUTHER HARRIS

CURRENT PAYMENT OF INDIVIDUAL INCOME TAX

The Senate resumed consideration of the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, which had been reported from the Committee on Finance with an amendment to strike out all after the exacting clause and to insert in lieu thereof the following:

That (a) this act may be cited as the "Current Tax Payment Act of 1943."

(b) Meaning of terms used: Except as otherwise expressly provided, terms used in this act shall have the same meaning as when used in the Internal Revenue Code.

SEC. 2. Collection of tax at source on wages.

(a) In general: Chapter 9 of the Internal Revenue Code (relating to employment taxes) is amended by inserting at the end thereof the following new subchapters:

"SUBCHAPTER D—COLLECTION OF INCOME TAX AT SOURCE ON WAGES

"Sec. 1621. Definitions.

"As used in this subchapter—

"(a) Wages: The term 'wages' means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid—

"(1) for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay includible in gross income, or

"(2) for agricultural labor (as defined in section 1426 (h)), or

"(3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, or

"(4) for casual labor not in the course of the employer's trade or business, or

"(5) for services by a citizen or resident of the United States for a foreign government or for the Government of the Commonwealth of the Philippines, or

"(6) for services performed by a nonresident alien individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals, or

"(7) for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary, or

"(8) for services for an employer performed by a citizen or resident of the United States while outside the United States (as defined in sec. 3797 (a) (9)) if the major part of the services for such employer during the calendar year is to be performed outside the United States, or

"(9) for services performed as a minister of the gospel.

For the purpose of paragraph (8) services performed on or in connection with an American vessel (as defined in sec. 1426 (g)) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration, shall not constitute services performed outside the United States.

"(b) Pay-roll period: The term 'pay-roll period' means a period for which a payment of wages is ordinarily made to the employee by his employer, and the term 'miscellaneous pay-roll period' means a pay-roll period other than a weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual pay-roll period.

"(c) Employee: The term 'employee' includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term 'employee' also includes an officer of a corporation.

"(d) Employer: The term 'employer' means the person for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that—

"(1) if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term 'employer' (except for the purposes of subsection (a)) means the person having control of the payment of such wages; and

"(2) in the case of a person paying wages on behalf of a nonresident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, the term 'employer' (except for the purposes of subsection (a)) means such person.

"(e) Single person: The term 'single person' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that such person is single, or is married and not living with husband or wife, and is not the head of a family.

"(f) Married person: The term 'married person' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is married and living with husband or wife.

"(g) Married person claiming all of personal exemption for withholding: The term 'married person claiming all of personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims all of the personal exemption and that for the purposes of this subchapter his spouse is claiming none of the personal exemption.

"(h) Married person claiming half of personal exemption for withholding: The term 'married person claiming half of the personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims half of the personal exemption and that for the purposes of this subchapter his spouse is claiming not more than half of such exemption.

"(i) Married person claiming none of personal exemption for withholding: The term 'married person claiming none of the personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) making no claim with respect to the personal exemption for the purposes of this subchapter.

"(j) Head of family: The term 'head of a family' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is the head of a family.

"(k) Dependent: The term 'dependent' means a person included in a withholding exemption certificate in effect under section 1622 (h) as a person dependent upon and receiving his chief support from the employee and either under 18 years of age or incapable of self-support because mentally or physically defective.

"Sec. 1622. Income tax collected at source.

"(a) Requirement of withholding: Every employer making payment of wages to any individual shall withhold and collect upon such wages a tax equal to the greater of the following:

"(1) Twenty percent of the excess of each payment of such wages over the family status withholding exemption allowable under subsection (b) (1) (A), or

"(2) Three percent of the excess of each payment of such wages over the Victory tax withholding exemption allowable under subsection (b) (1) (B).

"(b) Withholding exemption.—

"(1) In computing the tax required to be withheld under subsection (a), there shall be allowed as a withholding exemption with respect to the wages paid for each pay-roll period—

"(A) in computing the tax required to be withheld under subsection (a) (1), a family status withholding exemption determined in accordance with the following schedule:

"Family status withholding exemption

	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent, other than the first dependent in the case of the head of a family
"Pay-roll period					
Weekly	\$12	\$24	\$12	0	\$6
Biweekly	24	48	24	0	12
Semimonthly	26	52	26	0	13
Monthly	52	104	52	0	26
Quarterly	156	312	156	0	78
Semiannual	312	624	312	0	156
Annual	624	1,248	624	0	312
Daily or miscellaneous (per day of such period)	1.70	3.40	1.70	0	.85

"(B) in computing the tax required to be withheld under subsection (a) (2), a victory tax withholding exemption determined in accordance with the following schedule:

	Victory tax withholding exemption
"Pay-roll period:	
Weekly	\$12.00
Biweekly	24.00
Semimonthly	26.00
Monthly	52.00
Quarterly	156.00
Semiannual	312.00
Annual	624.00
Daily or miscellaneous (per day of such period)	1.70

"(2) If wages are paid with respect to a period which is not a pay-roll period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous pay-roll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any pay-roll period or other period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous pay-roll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than 1 week, at the election of the employer the excess of the aggregate of the wages paid to the employee during the calendar week over the withholding exemption allowed by this subsection for a weekly pay-roll period may be used in computing the tax required to be withheld.

"(5) In determining the amount to be withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

"(c) Wage bracket withholding.—

"(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be withheld under subsection (a):

If the pay-roll period with respect to an employee is weekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—										
					No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents					
					Or, (5) such person is head of a family and has—										
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of tax to be withheld shall be—											
				\$0	\$10	\$1.00									
10	15	2.50	\$1.30	\$0.10											
15	20	3.50	2.30	1.10											
20	25	4.50	3.30	2.10	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20				
25	30	5.50	4.30	3.10	.90	.30	.30	.30	.30	.30	.30				
30	40	7.00	5.80	4.60	1.90	.70	.50	.50	.50	.50	.50				
40	50	9.00	7.80	6.60	3.40	2.20	1.00	.70	.70	.70	.70				
50	60	11.00	9.80	8.60	5.40	4.20	3.00	1.80	1.00	1.00	1.00				
60	70	13.00	11.80	10.60	7.40	6.20	5.00	3.80	2.60	1.40	1.30				
70	80	15.00	13.80	12.60	9.40	8.20	7.00	5.80	4.60	3.40	2.20				
80	90	17.00	15.80	14.60	11.40	10.20	9.00	7.80	6.60	5.40	4.20				
90	100	19.00	17.80	16.60	13.40	12.20	11.00	9.80	8.60	7.40	6.20				
100	110	21.00	19.80	18.60	15.40	14.20	13.00	11.80	10.60	9.40	8.20				
110	120	23.00	21.80	20.60	17.40	16.20	15.00	13.80	12.60	11.40	10.20				
120	130	25.00	23.80	22.60	19.40	18.20	17.00	15.80	14.60	13.40	12.20				
130	140	27.00	25.80	24.60	21.40	20.20	19.00	17.80	16.60	15.40	14.20				
140	150	29.00	27.80	26.60	23.40	22.20	21.00	19.80	18.60	17.40	16.20				
150	160	31.00	29.80	28.60	25.40	24.20	23.00	21.80	20.60	19.40	18.20				
160	170	33.00	31.80	30.60	27.40	26.20	25.00	23.80	22.60	21.40	20.20				
170	180	35.00	33.80	32.60	29.40	28.20	27.00	25.80	24.60	23.40	22.20				
180	190	37.00	35.80	34.60	31.40	30.20	29.00	27.80	26.60	25.40	24.20				
190	200	39.00	37.80	36.60	33.40	32.20	31.00	29.80	28.60	27.40	26.20				
\$200 or over		20% of the excess over \$200 plus													
		\$40.00	\$38.60	\$37.60	\$36.40	\$35.20	\$34.00	\$32.80	\$31.60	\$30.40	\$29.20				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$1.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is biweekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—										
					No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents					
					Or, (5) such person is head of a family and has—										
					No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents					
				The amount of tax to be withheld shall be—											
				\$0	\$20	\$2.00									
20	30	5.00	\$2.60	\$0.20											
30	40	7.00	4.60	2.20	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30				
40	50	9.00	6.60	4.20	1.80	.60	.60	.60	.60	.60	.60				
50	60	11.00	8.60	6.20	3.80	1.40	.90	.90	.90	.90	.90				
60	80	14.00	11.60	9.20	6.80	4.40	2.00	1.40	1.40	1.40	1.40				
80	100	18.00	15.60	13.20	10.80	8.40	6.00	3.60	2.00	2.00	2.00				
100	120	22.00	19.60	17.20	14.80	12.40	10.00	7.60	5.20	2.80	2.60				
120	140	26.00	23.60	21.20	18.80	16.40	14.00	11.60	9.20	6.80	4.40				
140	160	30.00	27.60	25.20	22.80	20.40	18.00	15.60	13.20	10.80	8.40				
160	180	34.00	31.60	29.20	26.80	24.40	22.00	19.60	17.20	14.80	12.40				
180	200	38.00	35.60	33.20	30.80	28.40	26.00	23.60	21.20	18.80	16.40				
200	220	42.00	39.60	37.20	34.80	32.40	30.00	27.60	25.20	22.80	20.40				
220	240	46.00	43.60	41.20	38.80	36.40	34.00	31.60	29.20	26.80	24.40				
240	260	50.00	47.60	45.20	42.80	40.40	38.00	35.60	33.20	30.80	28.40				
260	280	54.00	51.60	49.20	46.80	44.40	42.00	39.60	37.20	34.80	32.40				
280	300	58.00	55.60	53.20	50.80	48.40	46.00	43.60	41.20	38.80	36.40				
300	320	62.00	59.60	57.20	54.80	52.40	50.00	47.60	45.20	42.80	40.40				
320	340	66.00	63.60	61.20	58.80	56.40	54.00	51.60	49.20	46.80	44.40				
340	360	70.00	67.60	65.20	62.80	60.40	58.00	55.60	53.20	50.80	48.40				
360	380	74.00	71.60	69.20	66.80	64.40	62.00	59.60	57.20	54.80	52.40				
380	400	78.00	75.60	73.20	70.80	68.40	66.00	63.60	61.20	58.80	56.40				
\$400 or over.....		20% of the excess over \$400 plus													
		\$80.00	\$77.60	\$75.20	\$72.80	\$70.40	\$68.00	\$65.60	\$63.20	\$60.80	\$58.40				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.40 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 percent of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is semimonthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
						Or, (4) such person is a married person claiming all of personal exemption for withholding and has—									
						No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents				
						Or, (5) such person is head of a family and has—									
						No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents				
				The amount o. tax to be withheld shall be—											
				\$0	\$20	\$2.00									
20	30	5.00	\$2.40												
30	40	7.00	4.40	\$1.80	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30				
40	50	9.00	6.40	3.80	1.20	.60	.60	.60	.60	.60	.60				
50	60	11.00	8.40	5.80	3.20	.90	.90	.90	.90	.90	.90				
60	80	14.00	11.40	8.80	6.20	3.60	1.30	1.30	1.30	1.30	1.30				
80	100	18.00	15.40	12.80	10.20	7.60	5.00	2.40	1.90	1.90	1.90				
100	120	22.00	19.40	16.80	14.20	11.60	9.00	6.40	3.80	2.50	2.50				
120	140	26.00	23.40	20.80	18.20	15.60	13.00	10.40	7.80	5.20	3.10				
140	160	30.00	27.40	24.80	22.20	19.60	17.00	14.40	11.80	9.20	6.60				
160	180	34.00	31.40	28.80	26.20	23.60	21.00	18.40	15.80	13.20	10.60				
180	200	38.00	35.40	32.80	30.20	27.60	25.00	22.40	19.80	17.20	14.60				
200	220	42.00	39.40	36.80	34.20	31.60	29.00	26.40	23.80	21.20	18.60				
220	240	46.00	43.40	40.80	38.20	35.60	33.00	30.40	27.80	25.20	22.60				
240	260	50.00	47.40	44.80	42.20	39.60	37.00	34.40	31.80	29.20	26.60				
260	280	54.00	51.40	48.80	46.20	43.60	41.00	38.40	35.80	33.20	30.60				
280	300	58.00	55.40	52.80	50.20	47.60	45.00	42.40	39.80	37.20	34.60				
300	320	62.00	59.40	56.80	54.20	51.60	49.00	46.40	43.80	41.20	38.60				
320	340	66.00	63.40	60.80	58.20	55.60	53.00	50.40	47.80	45.20	42.60				
340	360	70.00	67.40	64.80	62.20	59.60	57.00	54.40	51.80	49.20	46.60				
360	380	74.00	71.40	68.80	66.20	63.60	61.00	58.40	55.80	53.20	50.60				
380	400	78.00	75.40	72.80	70.20	67.60	65.00	62.40	59.80	57.20	54.60				
\$400 or over.....		20% of the excess over \$400 plus													
		\$80.00	\$77.40	\$74.80	\$72.20	\$69.60	\$67.00	\$64.40	\$61.80	\$59.20	\$56.60				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.60 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is monthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—								
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents
At least	But less than	Or, (2) such person is a married person claiming half of personal exemption for withholding and has—								
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	
		Or, (3) such person is a single person and has—								
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	
		Or, (4) such person is a married person claiming all of personal exemption for withholding and has—								
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	
		Or, (5) such person is head of a family and has—								
		No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	
		The amount of the tax to be withheld shall be—								
\$0	\$40	\$4.00								
40	50	9.00	\$3.80							
50	60	11.00	5.80	\$0.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	13.00	7.80	2.60	.40	.40	.40	.40	.40	.40
70	80	15.00	9.80	4.60	.70	.70	.70	.70	.70	.70
80	100	18.00	12.80	7.60	2.40	1.10	1.10	1.10	1.10	1.10
100	120	22.00	16.80	11.60	6.40	1.70	1.70	1.70	1.70	1.70
120	140	26.00	20.80	15.60	10.40	5.20	2.30	2.30	2.30	2.30
140	160	30.00	24.80	19.60	14.40	9.20	4.00	2.90	2.90	2.90
160	200	36.00	30.80	25.60	20.40	15.20	10.00	4.80	3.80	3.80
200	240	44.00	38.80	33.60	28.40	23.20	18.00	12.80	7.60	5.00
240	280	52.00	46.80	41.60	36.40	31.20	26.00	20.80	15.60	10.40
280	320	60.00	54.80	49.60	44.40	39.20	34.00	28.80	23.60	18.40
320	360	68.00	62.80	57.60	52.40	47.20	42.00	36.80	31.60	26.40
360	400	76.00	70.80	65.60	60.40	55.20	50.00	44.80	39.60	34.40
400	440	84.00	78.80	73.60	68.40	63.20	58.00	52.80	47.60	42.40
440	480	92.00	86.80	81.60	76.40	71.20	66.00	60.80	55.60	50.40
480	520	100.00	94.80	89.60	84.40	79.20	74.00	68.80	63.60	58.40
520	560	108.00	102.80	97.60	92.40	87.20	82.00	76.80	71.60	66.40
560	600	116.00	110.80	105.60	100.40	95.20	90.00	84.80	79.60	74.40
600	640	124.00	118.80	113.60	108.40	103.20	98.00	92.80	87.60	82.40
640	680	132.00	126.80	121.60	116.40	111.20	106.00	100.80	95.60	90.40
680	720	140.00	134.80	129.60	124.40	119.20	114.00	108.80	103.60	98.40
720	760	148.00	142.80	137.60	132.40	127.20	122.00	116.80	111.60	106.40
760	800	156.00	150.80	145.60	140.40	135.20	130.00	124.80	119.60	114.40
\$800 or over.....		20% of the excess over \$800 plus								
		\$160.00	\$154.80	\$149.60	\$144.40	\$139.20	\$134.00	\$128.80	\$123.60	\$118.40
										\$113.20

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$5.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period

And the wages divided by the number of days in such period are—		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
						Or, (4) such person is a married person claiming all of personal exemption for withholding and has—									
						No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents				
						Or, (5) such person is head of a family and has—									
						No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents				
				The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period											
				\$0	\$1	\$0.10	\$0.15								
1	2	.30	.45												
2	3	.50	.75	\$0.15											
3	4	.70	1.05	.35	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05				
4	5	.90	1.35	.55	.40	.20	.10	.10	.10	.10	.10				
5	6	1.10	1.65	.75	.60	.40	.25	.10	.10	.10	.10				
6	7	1.30	1.95	.95	.80	.60	.45	.30	.15	.15	.15				
7	8	1.50	2.25	1.15	1.00	.80	.65	.50	.30	.35	.35				
8	9	1.70	2.55	1.35	1.20	1.00	.85	.70	.50	.65	.65				
9	10	1.90	2.85	1.55	1.40	1.20	1.05	.90	.70	.85	.85				
10	12	2.20	3.30	1.85	1.70	1.50	1.35	1.20	1.00	1.25	1.25				
12	14	2.60	3.90	2.25	2.10	1.90	1.75	1.60	1.40	1.65	1.65				
14	16	3.00	4.50	2.65	2.50	2.30	2.15	2.00	1.80	2.05	2.05				
16	18	3.40	5.10	3.05	2.90	2.70	2.55	2.40	2.20	2.45	2.45				
18	20	3.80	5.70	3.45	3.30	3.10	2.95	2.80	2.60	2.85	2.85				
20	22	4.20	6.30	3.85	3.70	3.50	3.35	3.20	3.00	3.25	3.25				
22	24	4.60	6.90	4.25	4.10	3.90	3.75	3.60	3.40	3.65	3.65				
24	26	5.00	7.50	4.65	4.50	4.30	4.15	4.00	3.80	4.05	4.05				
26	28	5.40	8.10	5.05	4.90	4.70	4.55	4.40	4.20	4.45	4.45				
28	30	5.80	8.70	5.45	5.30	5.10	4.95	4.80	4.60	4.85	4.85				
\$30 or over		20% of the excess over \$30 plus													
		\$6.00	\$5.85	\$5.65	\$5.50	\$5.30	\$5.15	\$5.00	\$4.80	\$4.65	\$4.45				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$0.15 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05 to the nearest multiple of \$0.05.

"(2) If wages are paid with respect to a period which is not a pay-roll period, the amount to be withheld shall be that applicable in the case of a miscellaneous pay-roll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any pay-roll period or other period, the amount to be withheld shall be that applicable in the case of a miscellaneous pay-roll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than 1 week, at the election of the employer the amount to be withheld shall be determined under the tables applicable in the case of a weekly pay-roll period, and for such purpose the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

"(5) In determining the amount to be withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

"(d) Tax paid by recipient: If the employer, in violation of the provisions of this subchapter, fails to withhold and collect the tax under this subchapter, and thereafter the tax against which such tax may be credited is paid, the tax so required to be withheld and collected shall not be collected from the employer; but this subsection shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to withhold and collect.

"(e) Nondeductibility of tax in computing net income: The tax withheld and collected under this subchapter shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income for the purpose of any tax on income imposed by act of Congress.

"(f) Refunds or credits.—

"(1) Employers: Where there has been an overpayment of tax under this subchapter, refund or credit shall be made to the employer only to the extent that the amount of such overpayment was not withheld and collected under this subchapter by the employer.

"(2) Employees: For refund or credit in cases of excessive withholding, see section 322 (a).

"(g) Included and excluded wages: If the remuneration paid by an employer to an employee for services performed during one-half or more of any pay-roll period of not more than 31 consecutive days constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than one-half of any such pay-roll period does not constitute wages, then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

"(h) Withholding exemption certificates: Every employee receiving wages shall furnish his employer a signed withholding exemption certificate relating to his status for the purpose of computing the withholding exemption, or if the employer exercises his election under section 1622 (b) (relating to wage bracket withholding), for the purpose of computing the amount to be withheld under such subsection. In case of a change of status, a new certificate shall be furnished not later than 10 days after such change occurs. The certificate shall be in such form

and contain such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe. Such certificate—

"(1) If furnished after the date of commencement of employment with the employer, shall take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least 30 days from the date on which such certificate is furnished to the employer, except that at the election of the employer such certificate may be made effective with respect to any previous payment of wages made on or after the date of the furnishing of such certificate. For the purposes of this paragraph the term 'status determination date' means January 1 and July 1 of each year.

"(2) If furnished on or before the date of commencement of employment with the employer, shall take effect as of the beginning of the first pay-roll period ending, or the first payment of wages made without regard to a pay-roll period on or after the date on which such certificate is furnished to the employer.

A certificate which takes effect under this subsection shall continue in effect with respect to the employer until another such certificate furnished by the employee takes effect under this subsection. If no certificate is in effect under this subsection with respect to an employee, such employee shall be treated, for the purposes of the withholding exemption, or in case the employer exercises his election under section 1622 (c) (relating to wage bracket withholding), for the purpose of computing the amount to be withheld under such subsection, as a married person claiming none of the personal exemption for withholding.

"(i) Overlapping pay periods, and so forth: If a payment of wages is made to an employee by an employer—

"(1) with respect to a pay-roll period or other period, any part of which is included in a pay-roll period or other period with respect to which wages are also paid to such employee by such employer, or

"(2) without regard to any pay-roll period or other period, but on or prior to the expiration of a pay-roll period or other period with respect to which wages are also paid to such employee by such employer, or

"(3) with respect to a period beginning in one and ending in another calendar year, the manner of withholding and the amount to be withheld under this subchapter shall be determined in accordance with regulations prescribed by the Commissioner with the approval of the Secretary under which the withholding exemption allowed to an employee in any calendar year shall approximate the withholding exemption allowable with respect to an annual pay-roll period.

"(j) Withholding on basis of average wages: The Commissioner may, under regulations prescribed by him with the approval of the Secretary, authorize employers (1) to estimate the wages which will be paid to any employee in any quarter of the calendar year, (2) to determine the amount to be withheld and collected upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid, and (3) to withhold and collect upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually withheld and collected upon the wages of such employee during such quarter to the amount required to be withheld during such quarter without regard to this subsection.

"Sec. 1623. Liability for tax.

"The employer shall be liable for the payment of the tax required to be withheld and collected under this subchapter, and shall

not be liable to any person for the amount of any such payment.

"Sec. 1624. Return and payment by governmental employer.

"If the employer is the United States, or a State, Territory, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return of the amount withheld and collected upon any wages may be made by any officer or employee of the United States, or of such State, Territory, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose.

"Sec. 1625. Receipts.

"(a) Requirement: Every employer required to withhold and collect a tax in respect of the wages of an employee shall furnish to each such employee in respect of his employment during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of wages is made, a written statement showing the wages paid by the employer to such employee during such calendar year, and the amount of the tax withheld and collected under this subchapter in respect of such wages.

"(b) Statements to constitute information returns: The statements required to be furnished by this section in respect of any wages shall be in lieu of the return required to be furnished by the employer in respect of such wages under section 147 and shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe.

"(c) Extension of time: The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the statements required to be furnished to employees under this section.

"Sec. 1626. Penalties.

"(a) Penalties for fraudulent receipt or failure to furnish receipt: In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof be fined not more than \$1,000, or imprisoned for not more than 1 year, or both.

"(b) Additional penalty: In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of not more than \$50.

"(c) Failure of employer to file return or pay tax: In case of any failure to make and file return, or pay the tax required by this subchapter, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not due to willful neglect, the addition to the tax shall not be less than \$10.

"(d) Penalties in respect of withholding exemption certificates: Any individual required to supply information to his em-

player under section 1622 (h) who willfully supplies false or fraudulent information, or who willfully fails to supply information thereunder which would require an increase in the tax to be withheld under section 1622, shall, in lieu of any penalty otherwise provided, upon conviction thereof, be fined not more than \$500, or imprisoned for not more than 1 year, or both.

"Sec. 1627. Other laws applicable.

"All provisions of law, including penalties, applicable with respect to the tax imposed by section 1400 shall, insofar as applicable and not inconsistent with the provisions of this subchapter, be applicable with respect to the tax under this subchapter.

"SUBCHAPTER E—GENERAL PROVISIONS

"Sec. 1630. Verification of returns, etc.

"(a) Power of Commissioner to require: The Commissioner, under regulations prescribed by him with the approval of the Secretary, may require that any return, statement, or other document required to be filed under this chapter shall contain or be verified by a written declaration that it is made under the penalties of perjury, and such declaration shall be in lieu of any oath otherwise required.

"(b) Penalties: Every person who willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter, shall be guilty of a felony, and, upon conviction thereof, shall be subject to the penalties prescribed for perjury in section 125 of the Criminal Code.

"Sec. 1631. Use of Government depositaries in connection with payment of taxes.

"The Secretary may authorize incorporated banks or trust companies which are depositaries or financial agents of the United States to receive any taxes under this chapter in such manner, at such times, and under such conditions as he may prescribe; and he shall prescribe the manner, times, and conditions under which the receipt of such taxes by such depositaries and financial agents is to be treated as payment of such taxes to the collectors."

(b) Technical amendments.—

(1) Amendment to section 34: Section 34 of the Internal Revenue Code (cross reference) is amended by striking out "453, 454, and 466 (e)" and inserting in lieu thereof "453 and 454."

(2) Amendment to section 322: Section 322 (f) of the Internal Revenue Code (cross reference) is amended to read as follows:

"(f) Tax withheld at source: For refund or credit in case of withholding agent, see section 143 (f). For refund or credit in case of employer required to withhold tax on wages, see section 1622 (f)."

(c) Expiration date for withholding at source on wages under subchapter D of chapter 1: Section 476 of the Internal Revenue Code (prescribing the expiration date for the taxes imposed by subchapter D) is amended to read as follows:

"Sec. 476. Expiration date.

"The tax imposed by part I of this subchapter shall not apply with respect to any taxable year commencing after the date of cessation of hostilities in the present war. The tax imposed by part II of such subchapter shall not apply with respect to any wages paid after June 30, 1943."

(d) Effective date: The amendments made by subsections (a) and (b) shall take effect July 1, 1943, and shall be applicable to all wages paid on or after such date.

Sec. 3. Credit for tax withheld at source.

Section 35 of the Internal Revenue Code (relating to the credit for tax withheld on wages) is amended to read as follows:

"Sec. 35. Credit for tax withheld on wages.

"The amount withheld and collected as tax under subchapter D of chapter 9 during any calendar year upon the wages of any individual shall be allowed as a credit to the recipient of the income against the tax imposed by this chapter for taxable years beginning in such calendar year."

Sec. 4. Refunds.

(a) Excessive withholding, etc.: Section 322 (a) (2) of the Internal Revenue Code (relating to excessive withholding) is amended to read as follows:

"(2) Excessive withholding: Where the amount of the tax withheld at the source under part II of subchapter D or subchapter D of chapter 9 exceeds the taxes imposed by this chapter against which the tax so withheld may be credited under section 35 or 466 (e), the amount of such excess shall be credited against any income tax or installment thereof then due from the taxpayer, and any balance thereof shall be refunded immediately to the taxpayer.

"(3) Credits against estimated tax: The Commissioner is authorized to prescribe, with the approval of the Secretary, regulations providing for the crediting against the estimated tax for any taxable year of the amount determined by the taxpayer or the Commissioner to be an overpayment of the tax for the preceding taxable year."

(b) Presumption as to date of payment: Section 322 (e) of the Internal Revenue Code (relating to presumption as to date of payment) is amended to read as follows:

"(e) Presumption as to date of payment: For the purposes of this section, any tax actually withheld and collected at the source during any calendar year under part II of subchapter D or under subchapter D of chapter 9 shall, in respect of the recipient of the income, be deemed to have been paid by him on the fifteenth day of the third month following the close of his taxable year with respect to which such tax is allowable as a credit under section 35 or section 466 (e); except that in the case of a nonresident alien individual, it shall be deemed to have been paid by him on the fifteenth day of the sixth month following the close of such taxable year. For the purposes of this section, any amount paid as estimated tax for any taxable year shall be deemed to have been paid on the fifteenth day of the third month following the close of such taxable year, or in the case of a nonresident alien individual, on the fifteenth day of the sixth month following the close of such taxable year."

(c) Delegation of authority to collectors to make refunds: Section 3770 (a) of the Internal Revenue Code (relating to authority to make refunds) is amended (1) by striking out "(4)", at the beginning of paragraph (4), and inserting in lieu thereof "(5)"; and (2) by inserting after paragraph (3) the following:

"(4) Delegation of authority to collectors to make refunds: The Commissioner is authorized to delegate, with the approval of the Secretary, to collectors any authority, duty, or function which the Commissioner is authorized or required to exercise or perform under paragraph (1), (2), or (3) in respect of any individual, estate, or trust, where the amount involved does not exceed \$1,000."

(d) Overpayments: Section 3770 of the Internal Revenue Code (relating to authority to make credits and refunds) is amended by inserting at the end thereof the following:

"(c) Rule where no tax liability: An amount paid as tax shall not be considered not to constitute an overpayment solely by reason of the fact that there was no tax liability in respect of which such amount was paid.

"(d) Tax withheld at source: For the date of payment in respect of tax withheld at source under section 466 or under subchapter D of chapter 9, see section 322 (e)."

(e) Review of allowance of interest: Section 3790 of the Internal Revenue Code (prohibiting administrative review of Commissioner's decisions) is amended by inserting at the end thereof the following: "In the absence of fraud or mistake in mathematical calculation, the allowance or nonallowance by the Commissioner, of interest on any credit or refund under the internal revenue laws shall not, except as provided in chapter 5, be subject to review by any other administrative or accounting officer, employee, or agent of the United States."

Sec. 5. Current payment of tax not withheld at source.

(a) In general: The Internal Revenue Code is amended by striking out sections 58, 59, and 60 and inserting in lieu thereof the following:

"Sec. 58. Declaration of estimated tax by individuals.

"(a) Requirement of declaration: Every individual (other than an estate or trust and other than a nonresident alien) shall, at the time during the taxable year prescribed in subsection (d), make a declaration of his estimated tax for the taxable year if—

"(1) his gross income from wages (as defined in section 465);

"(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$2,700 for the taxable year; or did exceed \$2,700 for the preceding taxable year; or

"(B) in case such individual is married and living with husband or wife: can when added to the gross income which can reasonably be expected to be received by such husband or wife from wages (as so defined) reasonably be expected to exceed \$3,500 for the taxable year; or did when added to the gross income of such husband or wife from wages (as so defined) for the preceding taxable year, exceed \$3,500 for such preceding taxable year; or

"(2) his gross income from sources other than wages (as defined in section 465).

"(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$100 for the taxable year and his gross income to be such as will require the making of a return for the taxable year under section 51; or did exceed \$100 for the preceding taxable year and such individual either was required to make a return under section 51 or 455 for such preceding taxable year or would have been so required if he had been single during the whole of such preceding taxable year; or

"(B) in case such individual is married and living with husband or wife: can when added to the gross income which can reasonably be expected to be received by husband or wife from such sources, reasonably be expected to exceed \$100 for the taxable year and the aggregate gross income of such husband and wife can reasonably be expected to be such as will require the making of a return under section 51 or 455; or did, when added to the gross income of such husband or wife from such sources for the preceding taxable year, exceed \$100 for such preceding taxable year and such individual would have been required to make a return under section 51 or 455 for such preceding taxable year if he had been married and living with husband or wife during the whole of such preceding taxable year.

"(b) Contents of declaration: In the declaration required under subsection (a) the individual shall state—

"(1) the amount which he estimates as the amount of tax under sections 11 and 12, or 400, as the case may be, and section 450 for the taxable year, without regard to any credits under sections 32, 35, and 466 (e);

"(2) the amount which he estimates as the credits for the taxable year under sections 32, 35, and 466 (e); and

"(3) the excess of the amount estimated under paragraph (1) over the amount estimated under paragraph (2), which for the purposes of this chapter shall be held and considered the estimated tax for the taxable year.

The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

"(c) Joint declaration by husband and wife: In the case of a husband and wife living together, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint return is not made for the taxable year, the estimated tax for such year may be treated as the estimated tax of either the husband or the wife, or may be divided between them.

"(d) Time and place for filing: The declaration required under subsection (a) shall be filed on or before the 15th day of the third month of the taxable year, except that if the requirements of subsection (a) are first met after such date, the declaration shall be filed on or before the 15th day of the last month of the quarter of the taxable year in which such requirements are first met. An individual may make amendments or revisions of a declaration filed under this subsection, under regulations prescribed by the Commissioner with the approval of the Secretary. If so made, such amendments or revisions shall be filed on or before the 15th day of the last month of any quarter of the taxable year subsequent to that in which the declaration was filed and in which no previous amendments or revisions have been made or filed. Declarations and amendments and revisions thereof shall be filed with the collector specified in section 53 (b) (1).

"(e) Extension of time: The Commissioner may grant a reasonable extension of time for filing declarations and paying the estimated tax, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than 6 months.

"(f) Persons under disability: If the taxpayer is unable to make his own declaration, the declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

"(g) Signature presumed correct: The fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

"(h) Publicity of declaration: For the purposes of section 55 (relating to publicity of returns), a declaration of estimated tax shall be held and considered a return under this chapter.

"SEC. 59. Payment of estimated tax.

"(a) In general: The estimated tax shall be paid in four equal installments except that—

"(1) if the declaration is filed (otherwise than pursuant to an extension of time) after the 15th day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year (including the quarter in which the declaration is filed); and

"(2) if any amendment or revision of a declaration is filed, the remaining installments shall be ratably increased or decreased, as the case may be, to reflect the increase or decrease, as the case may be, in the esti-

mated tax by reason of such amendment or revision; and

"(3) at the election of the individual, any installment of the estimated tax may be paid prior to the date prescribed for its payment.

One installment of the estimated tax shall be paid at the time of making the declaration, and an installment thereof shall be paid on the 15th day of the last month of each succeeding quarter of the taxable year. Payment of any installment of the estimated tax shall be considered payment on account of the tax for the taxable year.

"(b) Assessment: The estimated tax shall be assessed only to the extent paid.

"SEC. 60. Special rules for application of sections 58 and 59.

"(a) Farmers: In the case of an individual whose estimated gross income from farming for the taxable year is at least 80 percent of the total estimated gross income from all sources for the taxable year, in lieu of the time prescribed in section 58 (d), the declaration for the taxable year may be made at any time on or before the 15th day of the last month of the taxable year.

"(b) Application to short taxable years: The application of sections 58, 59, and 294 (a) (3), (4), and (5) to taxable years of less than 12 months shall be as prescribed in regulations prescribed by the Commissioner with the approval of the Secretary.

"(c) Application to taxable years beginning in 1943: If the taxable year is the calendar year 1943, the 15th day of September, 1943, shall be substituted for the 15th day of March for the purposes of section 58 (d). If the taxable year begins in 1943 after January 1, the date which shall be substituted for the 15th day of the third month of the taxable year for the purposes of section 58 (d) shall be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary. In either case installments of the estimated tax for such taxable year payable after September 1, 1943, shall be ratably decreased to reflect the payments on account of a taxable year beginning in 1942 which are treated as payments on account of the estimated tax for a taxable year beginning in 1943."

"(b) Additions to tax: Section 294 (a) of the Internal Revenue Code (relating to additions to tax in case of nonpayment) is amended by inserting at the end thereof the following:

"(3) Failure to file declaration of estimated tax: In the case of a failure to make and file a declaration of estimated tax within the time prescribed, there shall be added to the tax an amount equal to 10 percent of the tax.

"(4) Failure to pay installment of estimated tax: In the case of the failure to pay an installment of the estimated tax within the time prescribed, there shall be added to the tax \$2.50 or 2½ percent of the tax, whichever is the greater, for each installment with respect to which such failure occurs.

"(5) Substantial underestimate of estimated tax: If 80 percent of the tax (determined without regard to the credits under secs. 32, 35, and 466 (e)), in the case of individuals other than farmers exercising an election under section 60 (a), or 66½ percent of such tax in the case of such farmers, exceeds the estimated tax (increased by such credits), there shall be added to the tax an amount equal to such excess, or equal to 6 percent of the amount by which such tax exceeds the estimated tax so increased, whichever is the lesser. This paragraph shall not apply to the taxable year in which falls the death of the taxpayer."

"(c) Penalties: Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after "return" wherever appearing therein the

words "or declaration," and (2) by inserting before "tax" wherever appearing therein the words "estimated tax or."

"(d) Payment by installments: Section 56 (b) of the Internal Revenue Code (relating to installment payments) is amended by striking out "The" at the beginning thereof and inserting in lieu thereof "Except in the case of an individual (other than an estate or trust and other than a nonresident alien), the."

"(e) Taxable years to which applicable: The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1942.

SEC. 6. Relief from double payments in 1943.

(a) General rule: The liability of any individual (other than an estate or trust and other than a nonresident alien) for the tax imposed by such chapter for the taxable year 1942 shall be discharged as of September 1, 1943, except that (1) interest and additions to such tax shall be collected at the same time and in the same manner as, and as a part of, the tax under such chapter for the taxable year 1943, and (2) this subsection shall not apply in any case in which the taxpayer is convicted of any criminal offense with respect to the tax for the taxable year 1942 or in which additions to the tax for such taxable year are applicable by reason of fraud.

(b) Special rule where 1942 tax greater than 1943 tax: In the case of a taxpayer any part of whose tax for the taxable year 1942 is discharged under subsection (a), if such tax (determined without regard to such subsection, without regard to interest and additions to such tax, and without regard to credits against such tax for amounts withheld at source) is in excess of the tax for the taxable year 1943 (determined without regard to this section, without regard to interest and additions to such tax, and without regard to credits against such tax for amounts withheld at source), the tax for the taxable year 1943 shall be increased by such excess; except that if such taxpayer enters upon active service in the military or naval forces of the United States during the taxable year 1942 or 1943, the tax for the taxable year 1943 shall not be increased by any portion of such excess which is attributable to earned net income (as defined in section 25 (a) (4)), as determined under regulations prescribed by the Commissioner with the approval of the Secretary.

(c) Special rule where increased income.—(1) Tax for 1942 less than that for 1943: In the case of a taxpayer whose tax for the taxable year 1942 is discharged under subsection (a), and (in cases in which the tax for such taxable year, determined in the same manner as under subsection (b), is less than that for the taxable year 1943, similarly determined) whose surtax net income for the base year plus \$10,000 is less than that for the taxable year 1942, the liability discharged under subsection (a) shall be limited to an amount equal to a tentative tax computed as if the portion of the surtax net income for such taxable year which is not greater than the sum of the surtax net income for the base year plus \$10,000 constituted both the surtax net income for such taxable year 1942, and the net income for such taxable year after allowance of all credits against net income;

(2) Tax for 1942 not less than that for 1943: In the case of a taxpayer whose tax for the taxable year 1942 is discharged under subsection (a), and (in cases in which the tax for such taxable year, determined in the same manner as under subsection (b), is equal to or less than that for the taxable year 1942, similarly determined), whose surtax net income for the base year plus \$10,000 is less than that for the taxable year 1943, the liability discharged under subsection (a) shall be limited to an amount equal to a tentative tax for the taxable year 1943 computed as if the portion of the surtax net income for such

taxable year which is not greater than the sum of the surtax net income for the base year plus \$10,000 constituted both the surtax net income for the taxable year 1943, and the net income for such taxable year after allowance of all credits against net income.

The portion of the liability which is not discharged under subsection (a) by reason of paragraph (1) of this subsection shall be discharged, but the tax for the taxable year 1943 shall be increased by an amount equal to such portion. The portion of the liability which is not discharged under subsection (a) by reason of paragraph (2) of this subsection shall be discharged, but the tax for the taxable year 1943 shall be increased by the excess of such portion over the amount by which the tax for such taxable year is increased under subsection (b). For the purposes of this subsection "base year" means any one of the taxable years 1938, 1939, or 1940, to be selected by the taxpayer. The amount by which the tax for the taxable year 1943 is increased by reason of this subsection shall not be held or considered to be a part of the tax for such taxable year for the purposes of sections 58, 59, 60, and 294 (a) (3), (4), and (5) of the Internal Revenue Code. This subsection shall be applied in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

(d) Extension of time for payment of increase in 1943 tax under subsection (c): At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall, except as hereinafter provided, extend the time for the payment of the portion of the tax for the taxable year 1943 equal to the increase therein under subsection (c), in which case such portion shall be paid in four equal annual installments, the first of which shall be paid on the 15th day of the 15th month following the close of the taxable year, and of the remaining installments one of which shall be paid on the last day of each succeeding 12-month period, except that any installment may be paid prior to the date prescribed for its payment. The Commissioner may condition the extension upon the furnishing by the taxpayer of a bond in such amount, not exceeding the amount of such increase, with such surety or sureties as the Commissioner deems necessary, conditioned upon the payment of such amount in accordance with the terms of the extension. If the time for the payment of such portion is extended, there shall be collected, as a part of the tax, interest on each installment at the rate of 4 percent per annum for the period beginning with the date prescribed for the payment of the tax for such taxable year and ending with the date on which such installment is paid or the date on which it is payable, whichever is the earlier. If any installment is not paid on or before the date on which it is payable, it and the remaining installments shall be paid upon notice and demand from the collector. If any installment is not paid on or before the date on which it is payable, there shall be collected, as part of the tax, interest on such installment at the rate of 6 percent per annum for the period beginning with the date on which such installment is payable and ending with the date on which it is paid.

(e) Rules for application of subsections (b) and (c): The credit against the tax imposed by chapter 1 of the Internal Revenue Code for the taxable year 1943 allowed by section 31 of such chapter (relating to taxes of foreign countries and of possessions of the United States), shall be determined without regard to subsections (b) and (c). Sections 105, 106, and 107 of such chapter (relating to limitations on tax) shall be applied without regard to subsections (b) and

(c). If the taxpayer either for the taxable year 1942 or for the taxable year 1943 makes a joint return with his spouse, the taxes of the spouses for the taxable year for which a joint return is not made shall be aggregated for the purposes of subsections (b) and (c), and in case the taxable year for which a joint return is not made is the taxable year 1943, the liability for the increase in the tax for the taxable year 1943 under subsections (b) and (c), shall be joint and several.

(f) Special rule where taxpayer dies in taxable year 1942: If the individual dies during the taxable year 1942, subsection (a) shall not apply.

(g) Treatment of payments on account of 1942 tax: Any payment (other than interest and additions to the tax) made on account of the tax imposed by chapter 1 of the Internal Revenue Code for the taxable year 1942 upon a taxpayer any part of whose liability for such tax is discharged under subsection (a) shall be considered as payment on account of the estimated tax for 1943. In the case of any extension of time for the payment of such tax granted by the Commissioner prior to such date, payment of the portion thereof which if such extension had not been granted would have been payable under section 56 (b) prior to such date shall be made notwithstanding subsection (a), but the foregoing provisions of this subsection shall apply to any such payment. In case the taxpayer becomes delinquent, prior to September 1, 1943, in the payment of such tax or any installment thereof, subsection (a) shall not relieve the taxpayer of his liability for the tax, but the foregoing provisions of this subsection shall be applicable to payment of such liability. If any payment on account of the tax imposed by such chapter for the taxable year 1942 is made pursuant to a joint return made by husband and wife for such taxable year, and such payment is considered as a payment on account of the estimated tax for the taxable year 1943, such payment may be treated as a payment on account of the estimated tax of either the husband or the wife for such taxable year or may be divided between them.

(h) Use of term "taxable year": For the purposes of this section the terms "taxable year 1938", "taxable year 1939", "taxable year 1940", "taxable year 1942", and "taxable year 1943" mean, respectively, the taxable year beginning in 1938, 1939, 1940, 1942, and 1943, respectively; and "taxable year" as applied to the taxable year 1942 or 1943 shall not include any period of less than 12 months unless occasioned by the death of the taxpayer or unless there is no taxable year of 12 months beginning in such calendar year.

SEC. 7. Additional allowance for members of armed forces.

(a) In general: Section 22 (b) (13) of the Internal Revenue Code (relating to additional allowance for military and naval personnel in computing net income) is amended to read as follows:

"(13) Additional allowance for military and naval personnel: In the case of compensation received during any taxable year and before the termination of the present war as proclaimed by the President by a member of the military or naval forces of the United States for active service in such forces during such war, so much of such compensation as does not exceed \$1,500."

(b) Effective date: The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1942.

SEC. 8. Abatement of tax for members of armed forces upon death.

Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

"SUPPLEMENT U—ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES UPON DEATH

"SEC. 421. Abatement of tax for members of armed forces upon death.

"In the case of any individual who dies on or after December 7, 1941, while in active service as a member of the military or naval forces of the United States and prior to the termination of the present war as proclaimed by the President, the tax under this chapter (including interest, additions to the tax, and additional amounts) attributable to earned net income (as defined in section 25 (a) (4)) received or accrued by him shall not be assessed, and if assessed, the assessment shall be abated, and if collected shall be credited or refunded as an overpayment, in the following amounts and for the following taxable years:

"(1) if such individual entered upon such service before the commencement of the taxable year beginning in 1943:

"(A) the entire amount of the tax so attributable for the taxable year in which falls the date on which he entered upon such service or September 16, 1940, whichever date is the later;

"(B) the entire amount of the tax so attributable for all subsequent taxable years during which he was in such service; and

"(C) that portion of the tax so attributable for the taxable year last preceding the date on which he entered upon such service or September 16, 1940, whichever date is the later, which bears the same ratio to the total tax so attributable as the number of quarters in the taxable year described in subparagraph (A) subsequent to the date on which he entered upon such service or September 16, 1940, whichever date is the later, bears to four; or

"(2) if such individual entered upon such service during the taxable year beginning in 1943:

"(A) that portion of the tax for the taxable year beginning in 1943, reduced by the increase under section 6 (b) of the Current Tax Payment Act of 1943, which bears the same ratio to the total tax so reduced as the number of quarters in such taxable year subsequent to the date on which he entered upon such service bears to four, to the extent that such portion is so attributable; and

"(B) the entire amount of the tax so attributable for all subsequent taxable years during which he was in such service; or

"(3) if such individual entered upon such service after the close of the taxable year beginning in 1943, the entire amount of the tax so attributable for all taxable years during the whole of which he was in such service.

"The computations required by this section shall be made in conformity with regulations prescribed by the Commissioner with the approval of the Secretary. For the purposes of this section, a fractional part of a quarter shall be disregarded unless it exceeds 15 days, in which case it shall be considered a quarter."

SEC. 9. Assistant Commissioners.

Subchapter B of chapter 39 of the Internal Revenue Code is amended to read as follows:

"SUBCHAPTER B—ASSISTANT COMMISSIONERS

"SEC. 3905. Appointment.

"There shall be in the Bureau of Internal Revenue two Assistant Commissioners, who shall be appointed by the President, by and with the advice and consent of the Senate.

"SEC. 3906. Duties.

"The Assistant Commissioners shall perform such duties as may be prescribed by the Commissioner or required by law."

SEC. 10. Extension of time in connection with release of powers of appointment.

Section 403 (d) (3) of the Revenue Act of 1942 is amended by striking out "July 1, 1943" wherever it appears and inserting in lieu thereof "March 1, 1944"; and section

452 (c) of the Revenue Act of 1942 is amended to read as follows:

"(c) Release on or before March 1, 1944.—

"(1) A release of a power to appoint before March 1, 1944, shall not be deemed a transfer of property by the individual possessing such power.

"(2) This subsection shall apply to all calendar years prior to 1944 and to that part of the calendar year 1944 prior to March 1, 1944."

Mr. GEORGE obtained the floor.

Mr. HILL. There are a number of Senators who would like to hear the Senator from Georgia, and I wonder if he would yield to me to make a point of no quorum?

Mr. GEORGE. I shall be glad to yield to the Senator for that purpose in a few moments. I ask that the bill (H. R. 2570) be read first for committee amendments. In that connection, I call attention to the fact that the Chair has already announced that, since the Finance Committee has reported a substitute striking out all after the enacting clause of the House bill, the substitute is regarded as the original text for the purpose of amendment.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. CONNALLY. I was about to make a parliamentary inquiry, but I think the statement of the chairman of the Committee on Finance probably covers what I had in mind. In a case such as this, where a complete substitute is offered, so far as amendments to and modifications of the bill are concerned, under the parliamentary rules it is in the same position as the original bill.

Mr. GEORGE. It is in the same position as the original text. That ruling has been uniformly made, as I understand; the Chair made that ruling this morning, and it is part of the RECORD.

Mr. CONNALLY. I did not hear the ruling, and I was anxious for the Chair to make such a ruling or make a confirmation of that statement.

Mr. HILL. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Ferguson	O'Daniel
Austin	George	Overton
Bailey	Gerry	Pepper
Ball	Gillette	Raccliffe
Bankhead	Green	Reed
Barbour	Guffey	Revercomb
Bilbo	Gurney	Reynolds
Bone	Hatch	Robertson
Brewster	Hawkes	Russell
Bridges	Hayden	Scruggs
Brooks	Hill	Shipstead
Buck	Holman	Stewart
Burton	Johnson, Colo.	Taft
Bushfield	Kilgore	Thomas, Idaho
Butler	La Follette	Thomas, Okla.
Byrd	Langer	Thomas, Utah
Capper	Lodge	Tobey
Caraway	Lucas	Tunnell
Chandler	McClellan	Tydings
Chavez	McFarland	Vandenberg
Clark, Idaho	McNary	Van Nuys
Clark, Mo.	Maloney	Wagner
Connally	Maybank	Walsh
Danaher	Millikin	Wheeler
Davis	Moore	Wherry
Downey	Murdoch	White
Eastland	Murray	Wiley
Ellender	Nye	Wilson

The PRESIDING OFFICER. Eighty-four Senators having answered to their names, a quorum is present.

Mr. GEORGE. Mr. President, the Senate has before it the current tax-payment act of 1943. The title is significant, because the bill does not deal with rates directly, nor does it affect the burden imposed under varying rates upon the taxpayers. It is an attempt to enact a current tax act. The report, which is rather full, is on the desks of Senators, and that report may, of course, be used to better advantage than what I am about to say, in ascertaining the full meaning of this particular bill.

Mr. President, this general subject has been under consideration in the House of Representatives since the early part of February and was the subject of prolonged hearings before the House Ways and Means Committee. It is imperative that this legislation be enacted as soon as possible. In his appearance before our committee, Mr. Paul, General Counsel of the Treasury Department, emphasized the need of prompt action in order to permit current collection to start by July 1 of this year. In this connection he stated that—

The Bureau of Internal Revenue has already taken preliminary steps to prepare for speedy inauguration of the current collection system, should the Congress complete its action by May 15.

And that—

It is vitally important both from the standpoint of the taxpayer and the standpoint of the Government to have collection at the source under way by July 1.

In view of the urgent need for the immediate passage of this legislation, and the fact that prolonged public hearings on this subject had already been held in the House, our committee decided it would be unwise to further delay the bill by holding public hearings.

In discussing this problem, the main difficulty with which we were faced, was the treatment of the 1942 liability in the transition year to a pay-as-you-go system. Under the House bill, complete cancellation of the 1942 liability was granted to those in the first surtax bracket. Those above the first surtax bracket rate do not become current as to the upper part of their income-tax liability, and will have to continue partly under the old system and partly under the new system. If those in the brackets above the first surtax bracket desire to become current, they will have to pay the upper bracket liability for the current year. To become current, in many cases, these taxpayers will have to pay an additional amount, which will in many cases, exceed their net income for the entire year. For example, if a person with a \$100,000 net income desires to become current, he would have to pay a tax of \$114,956. Any system which makes such a discrimination between various taxpayers is believed by the majority of the committee to be unsound.

There are approximately 4,000,000 taxpayers above the first bracket who, under the House bill, will be partly on a current basis and partly on a prior year

basis. An analysis of the House provision with respect to the part of 1942 tax liability canceled, shows that the House provisions in canceling only that part of the tax attributable to the normal tax, surtax, and Victory tax, discriminates between different groups of taxpayers. For example, married persons without dependents with net incomes ranging from \$1,200 to \$3,200, have 100 percent of their tax liability canceled, while from that point on the cancellation decreases as the net income increases. A married person with a net income of \$25,000 has less than 50 percent of his 1942 tax canceled and a married person with a net income of \$1,000,000 has only 22 percent of his 1942 tax liability. In view of the fact that this plan does not result in equality of tax treatment and forces many taxpayers to continue on a partly current and a partly back-tax system, the committee was unable to agree to the House bill, which abates 76 percent of the tax liability. With the windfall provisions in the committee bill, there is recouped to the Government one and three-tenths billions of the 1942 liability while the House bill recoups only two and two-tenths billions, a difference of only nine hundred million.

There was no disagreement in our committee as to the methods to be adopted in placing taxpayers upon a current basis. The only disagreement was as to how much of the 1942 liability should be canceled.

The bill places all taxpayers upon a completely current basis for 1943 and subsequent years. Taxpayers receiving practically all of their income from wages of not more than \$2,700, if single, and \$3,500 if married, will be placed upon a current basis through collection at the source. This group consists of about 70 percent of the taxpayers, leaving only 30 percent, or 14,000,000 taxpayers, out of a total of 44,000,000 taxpayers. The remaining 14,000,000 taxpayers are placed upon a current basis by making a declaration of their estimated tax.

I will first discuss the withholding provisions and then the provisions for making declarations of the estimated tax.

Under the bill a new withholding system will be inaugurated as of July 1, 1943, with respect to wages and salaries only. Taxpayers who are liable to both the income tax and the Victory tax will be subject to withholding at the rate of 20 percent. Of this 20 percent, 3 percent applies to the Victory tax and 17 percent to the ordinary income tax. This 20 percent does not apply to the gross wage but only to the amount of the wage in excess of the withholding exemption. The withholding exemptions are \$624, in the case of a single person, \$1,248 in the case of a married person, and \$312 in the case of each dependent. These withholding exemptions are selected because they are readily divisible on a weekly, monthly, or semimonthly basis. For example, a single person with no dependents is entitled to a weekly exemption of \$12 and a monthly exemption of \$52; a married person with no dependents is

entitled to a weekly exemption of \$24, or a monthly exemption of \$104.

The employer subtracts the withholding exemption from the wage payment and computes the 20-percent rate on the remainder. There are some taxpayers who are subject to the Victory tax but not to the income tax. There are approximately 12 million taxpayers in this group. In the case of this group, the 3-percent net Victory tax will apply to that part of their wages in excess of \$624. It should be remembered that the Victory tax is imposed at a rate of 5 percent. However, there are allowed against this tax certain current credits for the payment of debts, payment of insurance premiums, and the purchase of Government bonds. It is believed that a great many taxpayers—in fact, nearly all of them—will take advantage of these current credits. Therefore, by withholding on a net basis of 3 percent, many adjustments and refunds in connection with the final return will be eliminated.

We were able to adopt several withholding provisions which will be of valued benefit to the employer in adjusting himself to the new withholding system.

The employer, for purposes of withholding, is permitted to round the employee's wage to the nearest dollar. For example, if the employee's weekly wage was \$20.30, the employer may treat such wage, for purposes of withholding, as \$20. In many cases, due to overtime, and so forth, it is impossible for employers to determine the exact amount to be paid to an employee over a stated period. To overcome this difficulty, the Commissioner may permit the employer to withhold at an estimated wage level for a quarter, with adjustments to be made at the end of the quarter for the actual payments received. The employer does not have to make an exact computation of the amount to be withheld from each employee. If he desires to do so, he may elect to determine the amount to be withheld through the use of tables, incorporated in the law. Under those tables, the income tax and the Victory tax are combined in a single amount to be deducted from each wage payment. We were able to reduce the wage tables used in the House bill from 25 to 5. These five tables cover daily or miscellaneous, weekly, biweekly, semimonthly, and monthly pay-roll periods. The tax is computed according to the status of the taxpayer, that is, whether he is single, married, the head of a family, or has dependents.

In order to give the employer ample time to adjust his pay roll, changes in status may be recognized on either January 1 or July 1 as the case may be. This permits the employer to withhold on the basis of the old status until the change in status is recognized. The employee must file a signed withholding exemption certificate with the employer to inform him of his personal status. If you will turn to the weekly withholding table in the bill, you will find out how the employer paying on a weekly basis determines the amount to be deducted from his employees' wage payments. For example, assume that John Smith

is a single man, without dependents, earning \$75 per week. To determine the amount to be withheld, the employer will look at the weekly table on page 69. By looking at the first two columns of the table, we find that his wage falls in the \$70-but-less-than-\$80 group. In the column opposite that group, applicable to a single person with no dependents, we find the figure \$12.60. That is the amount he must deduct from this employee's wage check. There are certain types of wages which are exempt from withholding. They include, first, compensation of members of the armed forces; second, agricultural labor, compensation of domestic servants, and so forth. It was not deemed practical to require withholding in such cases. We also exempted from withholding, compensation of ministers of the gospel. The employer is required to furnish each employee with a written receipt showing the wages paid during the calendar year and the amount of tax withheld.

Your committee found it impracticable to apply withholding at the source on incomes from other than wages and salaries.

Therefore, in order to provide current payment of taxes for those taxpayers receiving income from rents, royalties, interest, dividends, business and professional, farming, and other types of income, and for those whose salaries and wages were subject to rates above the first surtax rate, it was necessary to devise a system whereby they could be placed on a pay-as-you-go basis.

To accomplish this much-desired result, the bill provides that such taxpayers must prepare and file a declaration estimating his tax for the current year and pay such estimated tax during the year.

Under the conditions set forth in section 53 (a), every individual who, at the time prescribed for the making of the declaration, is single or is married but not living with husband or wife shall make and file a declaration of his estimated tax for the taxable year if—

First. His gross income from wages—as defined in section 1621—can reasonably be expected to exceed \$2,700 for the taxable year; or

Second. His gross income from wages—as defined in section 1621—did exceed \$2,700 for the preceding taxable year; or

Third. It can reasonably be expected that for the taxable year his gross income from sources other than wages—as defined in section 1621—will exceed \$100 and his gross income from all sources will amount to \$500 or more; or

Fourth. His gross income for the preceding taxable year from sources other than wages—as defined in section 1621—did exceed \$100 and his gross income from all sources for the preceding taxable year was \$500 or more.

Every individual who, at the time prescribed for the making of the declaration, is married and living with husband or wife shall make a declaration of his estimated tax for the taxable year if—

First. It can reasonably be expected that for the taxable year such individual will receive gross income from wages—as defined in section 1621—and the aggregate

gross income of such individual and such spouse from wages will exceed \$3,500; or

Second. In the preceding taxable year such individual received gross income from wages—as defined in section 1621—and the aggregate gross income of such individual and such spouse from wages exceeded \$3,500; or

Third. It can reasonably be expected that for the taxable year such individual will receive gross income from sources other than wages—as defined in section 1621—the aggregate gross income of such individual and such spouse from sources other than wages will exceed \$100, and the gross income of such individual and such spouse from all sources will amount to \$1,200.

Fourth. In the preceding taxable year such individual received gross income from sources other than wages—as defined in section 1621—the aggregate gross income of such individual and such spouse from sources other than wages exceeded \$100, and (a) the gross income from all sources of such individual for the preceding taxable year exceeded \$624, or (b) the aggregate gross income from all sources of such individual and such spouse for the preceding taxable year was \$1,200 or more.

Of the estimated 44,000,000 taxpayers, only about 30 percent, or about 14,000,000 taxpayers, will be required to make such declarations of estimated tax. The remaining 70 percent will be covered by the withholding provisions.

Every individual required to file such a declaration and estimate of his current tax must do so on or before March 15 of the taxable year. This estimate may be revised at the election of the taxpayer during the taxable year, and if so revised, it must be filed on or before June 15, September 15, or December 15, respectively.

The situation of our farmers being substantially different from that of any other class of income taxpayers, since their income is never realized until the harvest and sale of the crops, which is usually in the latter part of the year, it was felt unwise and unfair to require farmers to file such a declaration of estimated tax on March 15, and therefore a special rule is provided for farmers, 80 percent or more of whose gross income is derived from farming. They will be allowed to file such declaration of estimated tax at any time on or before December 15 of the taxable year.

Taxpayers filing such declarations of estimated tax will pay the tax in quarterly payments, and are required to pay not less than 80 percent of the actual tax for such taxable year or, in the case of farmers, 66⅔ percent. If 80 percent of the actual tax, or 66⅔ percent in the case of farmers, exceeds the estimated tax increased by the amounts withheld at the source, there is added to the tax an amount equal to such excess, or equal to 6 percent of the amount by which the tax exceeds the estimated tax so increased, whichever is the lesser.

In other words, a penalty of 6 percent on the amount by which the actual income exceeds the estimated income if the estimate is more than 20 percent out of line with the facts, in all cases except in

the case of the farmer, on whom the penalty is not imposed if his estimate is 66⅔ percent correct—that is, if he does not underestimate his actual income by more than one-third.

For the year 1943 those required to file declarations of estimated tax must do so on September 15, and the payments made in March and June will be treated as payments of their estimated 1943 tax.

Mr. President, I now come to the essentially controversial feature of the bill as reported by the committee.

TREATMENT OF 1942 LIABILITY

Technically the committee bill cancels the 1942 individual income tax. However, to avoid the cancellation of the tax on windfalls, two provisions have been inserted in the bill which have the effect of adding a certain sum to the 1943 tax.

The first of these is effective when the 1942 tax is greater than the 1943 tax. In such cases the tax for 1943 is increased by the excess of the 1942 tax over the 1943 tax. The effect of this provision is to cancel an amount equal to the 1943 tax. To avoid working a hardship on a taxpayer who entered the armed service during the taxable year 1942 or 1943, and whose income in 1943 might be considerably less than in 1942, this rule is not applied in such a case with respect to that portion of the excess of the 1942 tax over the 1943 tax which is attributable to earned net income, defined as income from wages, salaries, professional fees, and other amounts received as compensation for personal services, just as it is in the present law. All net income below \$3,000 is considered to be earned net income, and in no case shall earned net income be considered to be more than \$14,000. Under this provision, therefore, persons in the armed services would have their tax on earned net income abated for the higher year 1942 instead of the year 1943.

What I have just said about the first windfall provision may be summed up—with the exception of the provision relating specifically to the men and women in the armed forces and services—in this statement: While the 1942 tax is technically abated, the effect of the provisions of the bill is to collect from the taxpayer the higher of the taxes for either 1942 or 1943.

A second windfall provision was inserted to avoid canceling a tax on substantial increases in income over the income of pre-war years, such as those which have been received by certain war contractors and others. Under this provision a special tax is imposed where the surtax net income for both the taxable years 1942 and 1943 exceeds by more than \$10,000 the highest surtax net income for 1938, 1939, or 1940. The taxpayer will, of course, select the highest income received in the 3 named years. Under this rule, if the tax for 1942 is less than the tax for 1943, the amount of the 1942 liability is, in effect, canceled only to the extent of a tentative tax computed on an amount equal to the surtax net income for the base year increased by \$10,000. The excess of the 1942 liability over the tentative tax is added as a part of the tax for 1943.

If the tax for 1943 is less than the tax for 1942, a tentative tax on an amount equal to the surtax net income of the base year increased by \$10,000 is computed at the 1943 rates. The 1942 tax is, in effect, discharged to the extent only of this tentative tax, and the balance of the 1942 liability, after deduction of the amount already added to the 1943 tax by the first windfall provision, is added as a part of the 1943 tax.

What I have said regarding the second windfall provision in the committee bill may be stated simply, according to effect, as follows:

The committee did not intend to forgive the tax equivalent to abate the entire tax for the lower year, 1942 or 1943, if the surtax net income for the lower year plus \$10,000 was less than surtax net income for such lower year.

The committee intended to cancel only that part of the tax which was equivalent to a tax at the rates for the lesser year on an amount equivalent to the surtax net income for the normal year, plus \$10,000.

It was realized that payment of amounts added to the 1943 tax by reason of the second windfall provision might in some cases cause undue hardship to a taxpayer. To relieve this hardship we have provided that upon request of the taxpayer the commissioner should extend the time for the payment of this addition to the 1943 tax. Under the terms of the extension the taxpayer is given the privilege of paying the additional amount in four equal annual installments, the first on the 15th day of the fifteenth month following the close of the taxable year. Any installment may be paid in advance of the date due, however. The bill provides for collection of interest on each installment at the rate of 4 percent per annum.

The following examples will show the effect of the first windfall provision. More examples will be found in the report. The first example is of a civilian.

If an individual's tax for 1942 is \$405 and his tax for 1943 is \$188, he will be required to pay \$405 as his tax for 1943. Thus, he is not forgiven the tax for the higher year.

Under the technical language of the bill, the actual abatement is of the 1942 tax, but that is so drawn for easy administrative handling of the problem involved. I need not elaborate why this windfall provision has been inserted in the bill. It is quite obvious.

From time to time the attention of the country has been called to exceedingly high earnings of a great many men who had Government contracts, or rather who were acting as brokers in the procurement of Government contracts. It is believed by the public that there will be no recurrence of any such large earnings by the taxpayer. Someone may have received several hundred dollars in 1942. In 1943 he may have made nothing, and if there were a direct abatement without the windfall provision of the tax liability for 1942, an unjust enrichment would follow, of course, in his case.

The second example is of a soldier or sailor entering active service during 1942 or 1943.

Assume a married man with a salary of \$10,000 was liable to a tax of \$2,152 for the year 1942, and he entered the service as a private in 1943. He had no tax to pay for the year 1943. The effect of this relief provision would be to cancel his entire \$2,152 tax.

Assume a similar married man had a net income of \$100,000 for 1942, arising solely from compensation for services, and that his tax for that year amounted to \$64,000. He also entered the service in 1943. His net income for that year amounted to \$5,000, and his tax amounted to \$746.

The effect of the bill would be to cancel only that part of the 1942 tax in excess of the 1943 tax which is attributable to earned net income.

The following example, taken from the report, will show the application of the second windfall provision:

Taxpayer A had a surtax net income of \$5,000 for his base year. In 1942 he had a tax liability of \$13,002. For 1943 his tax without regard to this section amounted to \$14,000. His surtax net income for 1942 was \$30,000 and was composed entirely of dividends and interest. By taking the amount of his surtax net income for his base year of \$5,000 and adding to it the sum of \$10,000, a tentative tax for 1942 for income thus constituted would be \$4,680. Thus the amount by which the tax for 1943 is increased is the difference between \$13,002 and \$4,680, or \$8,322.

I come now to a provision in the bill which is somewhat difficult to explain, because it is difficult to understand. However, the Treasury explanation contained in the report is very full and very exhaustive. I refer to soldiers' and sailors' relief.

For taxable years ending after December 31, 1942, your committee has excluded in the case of members of the armed forces so much of their military or naval pay as does not exceed \$1,500. This exclusion is allowed in the case of all members of the armed forces, without distinction as to rank, and without distinction as to the area in which the service is performed. Since this is in addition to the personal exemption and credit for dependents, a married individual with no dependents would be entitled to a total exemption of \$2,700; with one dependent, to a total exemption of \$3,050; a single person, to a total exemption of \$2,000; and a single person with one dependent, to a total exemption of \$2,350. Under existing law, an exclusion of \$250 was allowed in the case of a single person, and \$300 in the case of a married person. This made the total inclusion \$1,500 in the case of a married man without dependents, and \$750 in the case of a single man without dependents. However, under the existing law, exclusions of \$250 and \$300 were confined to individuals below the commissioned rank.

Your committee also exempts from income-tax payments members of the armed forces who were killed in action. The exemption is limited to the tax on earned net income which, under the law, cannot exceed \$14,000.

Your committee has also provided by amendment to the Internal Revenue Code for the appointment by the President, with the advice and consent of the

Senate, of two Assistant Commissioners in the Bureau of Internal Revenue. The salaries are not fixed but are automatically applicable under the Civil Service Classification Act. At present the Commissioner of Internal Revenue has an Assistant to the Commissioner. The proposed amendment authorizes the appointment of two Assistant Commissioners in lieu of one Assistant to the Commissioner. Therefore, it actually increases the number of officials by one.

The facts were presented to your committee; and your committee believed that in view of the increased burden placed upon the Commissioner of Internal Revenue, the request for two assistants rather than one assistant, which he now has, was reasonable, and provision for the extra assistant has been inserted in the bill.

We have had a great deal of complaint about the provisions inserted in the Revenue Act of 1942 relating to the release of general powers of appointment under the estate- and gift-tax provisions. The time in which such powers may be released without being subject to estate or gift taxes has been extended to March 1, 1944, in order that further study may be given to this problem. That is the final provision of the bill.

Mr. President and Members of the Senate, I have submitted the report for the majority of the members of the Finance Committee, and in doing so I have specifically called attention to the fact that regarding the disposition of the tax liability for 1942 the committee was in disagreement. The majority of the committee ordered the report of the bill prepared and presented. I may say that the minority members are, perhaps, not in unanimous accord as to the treatment of the 1942 liability because some believe, perhaps, that no abatement should be made of the tax liability of any year, while others believe that some abatement should be made in order to place all individual income taxpayers upon a current basis. I, myself, was numbered among the minority, and I think it would be perfectly fair for me to say, in this connection, that it will be my purpose to offer, as an individual member of the committee and not as a committee amendment in any sense, a substitute for a portion of section 6 of the bill. I have not as yet prepared the substitute but, in substance, it will provide for an abatement of 75 percent of the tax liability for 1 year, retaining the just windfall provision of the committee bill, and eliminating the second, and will provide for the carrying over of 25 percent of each individual's tax for the lesser year for a period of 2 years. That amendment, Mr. President, I shall take occasion to argue or to present briefly as soon as I have prepared it. I expect, of course, that there will be some discussion on the bill itself.

Mr. President, I know of nothing else that I can add and particularly nothing that can be added by way of explanation that is not contained in the committee report which is before the Senate.

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). The amendment in the nature of a substitute

reported by the committee is before the Senate and is open to amendment.

Mr. BARBOUR. Mr. President, over the course of the last 6 months I can safely say that I have received, conservatively speaking, thousands of letters in my office with reference to the 1943 revenue tax bill. During the years of my service in the Senate, I believe—and I say this humbly—that I have become able to ascertain, with a fair degree of accuracy, the origin of letters, by which I mean whether the letters are of spontaneous inception or are inspired by organized propaganda agents or organizations. In my judgment, 90 percent of the letters I have received on the tax bill are from individuals who have taken time out of their busy lives in all sincerity to express to me their honest views and judgment on what they personally feel is the best approach to the admittedly complex problem of taxation in the immediate future. I am very happy and proud to say, moreover, that very few letters indeed show the slightest effort or attempt on the part of the writers to evade the responsibility of doing their full share; all they ask is that the Congress enact a tax bill on its merits alone, without fear or favor in any quarter.

The American people have had plenty of time to study this problem, and in the main they have studied it. Moreover, I feel that their considered conclusions are very preponderantly in favor of the so-called Ruml plan, the, to me, unjustified and unduly labored opposition of the Treasury to the contrary.

So, I would like to say right here and now that it is my sincere hope that out of the forthcoming tax debate will come in no uncertain terms an ultimatum from the Members of Congress themselves, as the direct representatives of the people themselves.

There may be times occasionally in a democracy when the legislators may have some possible justification for not following the voice of their constituencies but that could only be when the public has not had sufficient time to study or understand a given problem thoroughly. When the public has had an opportunity, however, to study and digest any given important national problem, it is not the part of true representation to turn an unheeding ear to its considered demands. Anyway, I am convinced that my State, 10 to 1, is back of a pay-as-you-go tax plan, with emphasis on the word "pay" and the word "go." I might add so am I personally and have been from the very beginning. In other words, most of us now realize that we must get on a current basis by having our taxes deducted from our current income, while we still have an income. By this I do not mean any abandonment of the recognized American principle of ability to pay. The Ruml plan is no invasion of that principle, and it is eminently unfair to try to make it so appear.

The one straw man which seems of paramount importance to the opponents of the Ruml plan is the so-called abatement, or forgiveness, of taxes for any particular group of people. I have endeavored conscientiously to study this particular phase of the bill because, of

course, I do not want anyone or any group or groups to be singled out for any special windfall or forgiveness of any taxes which they should pay. Anyway, the effect of any abatement does not come until some time in the future; first, when our Government ceases to exist—and when that occurs, which I am sure it never will, it will not make any difference what type of tax bill is passed—and, second, when the individual taxpayer loses his ability to pay, through adversity or death.

The real point is that the individual, whoever he may be, pays his taxes annually just as he does at the present time, but on a current basis. It is this vital point of getting our taxes on a current basis that, after all, is the crux of the whole matter. If anyone is against that, well and good; he has entire justification for opposing the Ruml plan or any other plan along similar lines.

In my own case, however, I certainly believe that the best interests of the Government will be served if the new tax law requires that taxes be paid while the taxpayer has the money to pay them; but this confronts us with an obviously major difficulty, namely, that in making the transition 2 years' taxes must be paid in a single year. And this is simply impossible. So we must recognize the inescapable necessity of abating or deferring all or a major portion of the tax on 1 year's income.

When the tax bill was first considered 2 months ago in the House of Representatives, many Members were against any abatement or deferment. But, in the final debate and passage of the bill which is now before the Senate for consideration, I notice that many who advocated no abatement have changed their positions. And a shift of three votes on its final passage would have changed the story, and the Ruml plan would have won. The reason for this right about face is easily discernible: We are dealing with a principle which does not lend itself to compromise.

As yet I have not heard the proponents of the bill passed by the House of Representatives give an estimate of the cost to the administration of collecting the deferred payments which would be necessary if their bill became a law. No estimate has been made of the potential losses which are bound to occur over a 3-year period, and perhaps over a longer period in hardship cases. No estimates have been given as to the extent deficiencies may reduce the amount realized.

My good friend the gentleman from New Jersey, Representative DONALD H. McLEAN, who is a member of the Ways and Means Committee of the House, and who has for many years served his district in New Jersey with great distinction, illustrates very well by a story he recounted in a most able and compelling speech he delivered on the floor of the House in support of the Ruml plan, the cost of the plan. The Representative's story is as follows:

I am reminded of a story that used to go the rounds in the business world about an individual who went into the business of refining oil. He got a number of his friends to purchase stock in the company and when

the plant was built he invited the stockholders to an inspection. A very fine buffet luncheon was served. The stockholders were taken through the plant and shown the beautiful white-tiled floors, the plate-glass partitions, the nickel-plated furnishings, and the machinery all running smoothly and perfectly. One of the stockholders asked the quantity of oil refined, and the number of barrels sold in a given period, whereupon the refiner replied: "We don't sell any oil. It takes all we refine to run the plant."

I think this illustrates very well what I said previously as to ascertaining the cost of administration by the Government of the bill which has passed the House.

If the principle of a pay-as-you-earn tax is recognized here today, and I am sure that it is, the Ruml plan should be adopted, especially as the change in the method of tax collection will unquestionably increase the flow of revenue to the Treasury. It will protect revenue not only now, but for all time to come. As against other proposals, it provides the most economical system of administration. It recognizes, above all else, the ability of the taxpayer to pay when he has the funds with which to pay, and, after all is said and done, is not that exactly what we are endeavoring to accomplish?

Mr. VANDENBERG. Mr. President, I wish to make a brief statement regarding the matter before the Senate, and it will be brief, because I desire to contribute, so far as I may, to the speedy conclusion of the issue before us, so that under the Treasury's earnestly expressed desire, the legislation may be perfected in time for application on July 1.

The thing which the majority of the committee has here done, as has been very adequately submitted by the able Senator from Georgia [Mr. GEORGE], is to implement the so-called Ruml plan, with added protections, for putting the individual income taxpayers of the country on a pay-as-you-go tax basis.

There is far less controversy in the Senate Finance Committee bill than might be imagined from the long and noisy battle that has raged around it for many irritating weeks, or than might be associated with some of the vocal violence with which it has been, and will be, assaulted by congressional orators, whose heat is more obvious than the justification for it.

As a matter of fact, the issue is comparatively simple. Certainly it is in reality a very narrowly confined issue. I am not speaking of that very small minority in either the House or the Senate which is deeply, conscientiously opposed to all abatement in this emergency, and which has nothing but total opposition for the entire abatement theory. Between them and the rest of us the gap is wide and unbridgeable, but, I repeat, they number only a very few. I am speaking of the preponderating congressional majority which favors some measure of abatement but which has been quarreling so bitterly over the degree and the formula. I repeat, the issue is relatively narrow and confined. Now, let us see if this is not so.

First, we all agree, with the Treasury emphatically included, that the heavy

burden of financing the war requires substantial "withholding taxes," collected at the source. There is no controversy upon that score. This accounts for about 90 percent of the text in the pending bill, entirely beyond controversy, entirely acceptable to all concerned. Except as to minor and relatively inconsequential details, there has been and there is no quarrel whatever at this point.

Second, we all agree that if we start on July 1 to "withhold at the source" a part of 1943 wages and salaries to pay a part of 1943 taxes, while at the same time the same taxpayers are paying up their 1942 taxes out of 1943 income, it suddenly multiplies the current tax take from the taxpayer; and, in view of the new, high income rates in the 1942 tax law, which already stretch the resources of most taxpayers to the limit, the burden would be insufferable; indeed, the collection would often be impossible.

Therefore, 95 percent of us—I think that is a conservative statement of the percentage—95 percent of us in the House and in the Senate agree, first, that there must be withholding taxes in order to meet the necessities of the Treasury; and, second, that these unavoidable withholding taxes cannot be applied without crucifying the American people, unless, so far as is humanly possible, the taxes are put on a pay-as-you-go, current-obligation basis.

Mr. President, we all agree that in order to apply withholding taxes we must put individual income taxpayers on a current basis, which is to say that 1943 tax payments and 1943 tax withholdings shall settle current 1943 obligations, as I have indicated.

Thus, at the end of the year citizens will be out of current debt to their Government, a tax ideal which has long been abstractly approved but never until now achieved, and achieved now under the terms of the recommendations of the Senate Finance Committee on a basis which is practically total in its application to the whole citizenship of the United States.

I repeat, Mr. President, that up to this point the vast majority of us are in general agreement, up to this point the Treasury is in agreement, up to this point no piece of major legislation has ever been less controversial than the one which now pends.

Now we come along to the final question, and the only thing which is in controversy in this forum this afternoon, namely, How shall these objectives be reached? Here the fight starts, but I say once more that even here the difference amongst most of us is more seeming than real. The only difference is not one of principle, the only difference is one of detail. Again I say that I am referring to the preponderating majority of us, and not to that very small minority which is totally opposed in its conscience to all tax abatements whatsoever.

Mr. President, let us now see just how narrow the issue really is. A majority of the House Ways and Means Committee, speaking for the administration, and with the Treasury's approval, reported a formula which would have canceled about \$4,700,000,000 of 1942 taxes, and

made some 7,000,000 taxpayers current. I am speaking now about the original House Ways and Means Committee bill. They approved, mind you, the abatement principle, and that is the important thing I am stressing. They approved the abatement principle, and by "they" I am referring to those who now criticize the pending proposal of the Senate Finance Committee. They approved the abatement principle, but they withheld its benefits from some 37,000,000 taxpayers owing \$4,800,000,000. They discriminated against the great majority of our taxpayers. The principle was good for some, but not for all.

The House declined to agree, and as we proceed with this very brief analysis Senators will find the issue again narrowing and ever narrowing. The House declined to agree. It could not stomach quite so much discrimination. So it altered the formula, and the alteration ultimately was approved by the votes of all administration spokesmen. It agreed to cancel \$7,200,000,000 of 1942 taxes, leaving \$2,214,000,000 outside the safety zone. This was a great advance in the application of the theory that our American system promises equal justice to all and special privileges to none, but it still fell short of par.

Thus the bill came to the Senate Finance Committee, and all in the world the majority of the Senate Finance Committee have done is to carry this rapidly narrowing controversy to its logical conclusion, so that we reach par in the treatment of our citizenship all alike in respect to this matter of tax abatement.

In the final analysis, speaking generally, that is precisely what the Senate committee has done. It has reached par in its fidelity to the principle which practically all the Members of the House and Senate have endorsed. The Senate committee bill abates all taxes for 1942 or 1943, whichever is the lower, and then recoups about \$1,500,000,000 in windfall provisions.

The Senate committee took the principle of abatement as bequeathed to it by the House, and as now approved by the Treasury, and has applied that principle to every American taxpayer under the flag. It wiped out the last lingering trace of discrimination. It took the final logical step on the road which the House correctly shows as the necessary highway for us to travel in this critical, fiscal hour. If the House was justified in taking the first step, we are justified, yea, we are commanded by American equities, to take the last step. There is no such thing as partial virtue in this connection.

Thus, Mr. President, I submit the final proof that the issue here in the Senate is an extremely narrow one, except so far as the position is involved of those who are totally opposed to the entire arrangement. It is not a question of whether we shall have 1942 tax abatement as a means effectively to put the country on a current tax-paying basis. That question has been settled by all of these other decisions so far as at least 95 percent of us are concerned. The sole question here pending is whether we shall do it by the House method, which cancels some

\$7,200,000,000 of 1942 tax liabilities, leaving a small minority of our citizens in double jeopardy, or whether we shall do it by canceling the total \$9,451,000,000 of 1942 tax liabilities, treating every citizen alike, and then recouping some \$1,500,000,000 from windfalls.

This is not a partisan question, Mr. President. It is a bipartisan majority of the Senate Finance Committee which has reported this amended bill which says in effect that there shall be equal justice for all in respect to tax treatment. We have tightened up the first so-called windfall provision in the bill. Every taxpayer, no matter what his income, pays full taxes on his 1942 or his 1943 income, whichever is the greater. His abatement is for the lesser of these two years. Remember this cardinal fact: no taxpayer actually pays less in 1943 than he would under existing law. I want to repeat again that abatement is not proposed for the sake of abatement. Abatement is proposed because it is absolutely prerequisite to put the Treasury in a position to withhold taxes in their current collections.

A second windfall provision reaches back to stop any special advantage to taxpayers who may have found a previous bonanza in our war effort. It virtually applies so far as these are concerned, the theory and principle of the excess-profits tax to individual incomes. The loopholes are closed. The resulting question is simple, namely, in the unavoidable process of establishing a system of withholding taxes and of putting American citizens upon a current basis, shall we stop short of total justice for our whole people; shall we stop short of equal treatment for all? It is but a short step from the House bill to this final recommendation of the Senate Finance Committee, but it is a tremendously long step in the direction of American fair play.

Mr. President, I now comment only briefly on the charge heard outside this Chamber that the pending bill is built to aid the rich. Why? Well, the real reason, when you analyze it, is because it does not discriminate against any class of taxpayers, and particularly because it declines to discriminate against those income-tax payers who always have and always will pay incomparably the highest rates—rates running up to 90 percent.

External critics of the bill are not to be blamed for echoing this prejudicial attitude, because the Treasury Department itself has set them a specific precedent in its own prejudicial class-baiting arithmetic upon this subject. This is a poor time to divide America along these lines. I decline to be any part of it. Obviously larger taxpayers get larger abatements than smaller taxpayers. Why? Because they pay larger taxes, and not because this bill is extending any special privilege to them. One item unavoidably balances the other. This bill does not change our established system of graduating income taxes according to the ability to pay. It still leaves larger taxpayers paying infinitely larger tax percentages than smaller taxpayers, as, of course, they should. We do not alter these percentages. We leave them

as they are, and that is the gist of this class-baiting complaint. Whatever a taxpayer has paid remains the basis of his abatement without discrimination. The complaint is, as a matter of fact, that we do not discriminate. But if we start discriminating, Mr. President, where shall we stop? The man who earns \$5,000 a year pays more taxes and at higher rates than the man who earns \$1,000 a year. Since what he pays is the measure of his abatement under this bill, his abatement is larger. So it goes on up the scale.

The Treasury says that this is quite all right for the \$5,000 men and the \$10,000 men, but that somewhere up the scale it becomes all wrong. Why? If there is any logic or equity in discrimination, why not make a good job of it and discriminate against everyone who earns more than \$1,000 a year? Why not level off everything at that point? That would be good, thorough-going communism. But, of course, the Congress would not think of doing such a thing. Neither would most of these critics. So they insist that the discrimination should start higher up. Well, Mr. President, it is still discrimination, dress it up as you please. I simply remark that one of our great founding fathers was on firm ground when he warned us not to adopt expedients which, however persuasive at the moment, can warrant upon some other day the very destruction of the American system itself. I hope we shall never discourage an American system of freemen and free enterprise under which all our people may strive for extra rewards for extraordinary effort and achievement.

Aside from that external criticism which I think is unwarranted and unfounded, I repeat the conclusion that the issue here drawn is utterly narrow insofar as the great preponderance of both the Democratic and Republican Members of the House and Senate are concerned. The primary purpose of tax abatement is to prevent double taxation by withholding payments at the source. The principle has been approved in one degree or another by virtually all Members of the House and the Senate. At present the issue is entirely one of degree. It is whether net abatement shall be 76 percent under the House bill or a net abatement of 88 percent, after recoupments, under the Senate Committee bill with all taxpayers current. The sole issue is whether we shall stop before we have done total justice and given equal treatment to all citizens alike.

The pending Senate Finance Committee recommendation puts more taxpayers on a current basis than does the House text; yet it would collect and turn into the Treasury more money than would the House language. That, according to the report of the committee filed today, continues on down into 1944, 1945, and 1946. In other words, the recommendation of the Senate committee more equitably treats more citizens, and yet more generously treats the Treasury. Mr. President, I think that is a dual achievement well worthy of the commendation and approval of the Senate.

Mr. CONNALLY obtained the floor.

Mr. HILL. Mr. President, will the Senator yield for a moment? I desire to suggest the absence of a quorum.

Mr. CONNALLY. I do not think that is necessary.

Mr. HILL. A number of Senators who are not now on the floor would want to hear the Senator's remarks.

Mr. CONNALLY. The difficulty is that I cannot keep them here after they come.

Mr. HILL. Be that as it may, Mr. President, I desire to suggest the absence of a quorum, if the Senator will yield to me for that purpose.

Mr. CONNALLY. Very well; I yield.

Mr. HILL. I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Alken	Ferguson	O'Daniel
Austin	George	Overton
Bailey	Gerry	Pepper
Ball	Gillette	Radcliffe
Bankhead	Green	Reed
Barbour	Guffey	Revercomb
Bilbo	Gurney	Reynolds
Bone	Hatch	Robertson
Brewster	Hawkes	Russell
Bridges	Hayden	Scruggs
Brooks	Hill	Shipstead
Buck	Holman	Stewart
Burton	Johnson, Colo.	Taft
Bushfield	Kilgore	Thomas, Idaho
Butler	La Follette	Thomas, Okla.
Byrd	Langer	Thomas, Utah
Capper	Lodge	Tobey
Caraway	Lucas	Tunnell
Chandler	McClellan	Tydings
Chavez	McFarland	Vandenberg
Clark, Idaho	McNary	Van Nuys
Clark, Mo.	Maloney	Wagner
Connally	Maybank	Walsh
Danaher	Millikin	Wheeler
Davis	Moore	Wherry
Downey	Murdoch	White
Eastland	Murray	Wiley
Ellender	Nye	Wilson

The PRESIDING OFFICER (Mr. O'DANIEL in the chair). Eighty-four Senators having answered to their names, a quorum is present.

The Senator from Texas has the floor.

Mr. CONNALLY. Mr. President, as I suggested to the Senate, at the moment I am not as well prepared to discuss all the details of the pending measure as I should like to be. For that reason I shall reserve some remarks until a later time in the discussion. However, I cannot resist the temptation, even at this early time in the debate, to contest some of the statements made by the distinguished Senator from Michigan [Mr. VANDENBERG] as to the philosophy and the justice implied in the pending measure.

Mr. President, today the United States Government has the heaviest bonded indebtedness it has ever had in its existence. Every dollar of that bonded indebtedness is a mortgage on the income, resources, and initiative of every citizen under our flag. Some time, somewhere, out of the earnings of the people, that debt must be paid.

Today the demands upon the Treasury of the United States for the prosecution of the war day by day are greater than any demand that has ever been made legitimately upon the Treasury of the United States. Yet, in the face of that situation, we have in the Senate of the

United States a bill to give away—for that is what it means—\$9,000,000,000 which has already been assessed on the tax books of the United States and has been settled as a legitimate and lawful demand upon the taxpayers of the United States.

I find myself in a small minority. I am not in favor of remitting or "abating." That is the new word. That is a softened word. It is not giving away. It is not remitting. It is "abating." But, Mr. President, if we analyze "abating," "giving away," and any other expressions of that character under the microscope of the philologist, we find that they all mean the same thing. The Government is going to lose the money, and if it loses the money, somebody is going to get it.

It is said that we must place the collection of income taxes on a current basis. I may be ignorant, and apart from the currents of information, Mr. President, but we have had the income-tax law in the United States since 1913, and until Mr. Ruml barged into the press and into the Committee on Finance I never heard any insistent demand from any source that we place the collection of income taxes on a current basis, and I have been here for about 25 years.

The demand is for payment of income taxes from current income. It is said that there are many small taxpayers who never have paid any income tax; that they have not been accustomed to making returns; that they are now making a great deal of money in war plants, and if we do not get their taxes in installments in advance, we will not collect them.

Mr. President, I have no objection to putting into effect at the earliest possible moment—on the first day of July, or June, or whenever it may be practicable—a deduction policy, by which, from the income of every salaried man and every wage earner, there shall be deducted whatever is necessary in the way of taxes according to sensible estimates, in order to meet the tax bill when it is due. Let the taxpayer be credited in advance with those amounts, and when the tax-paying period comes, it is only a matter of mathematics to say whether he owes the Government an additional amount or whether the Government has been overpaid.

But, under the pretext of taking care of those few almost inconsequential cases, I am not in favor of handing over to the great and powerful taxpayers in the United States \$9,000,000,000 which is due the Treasury of the United States. I will not do it under any pretext of that character.

We talk about discrimination. I am not in favor of discrimination. I am in favor of every citizen who owes the Government a debt paying it in full. Because we give some little fellow with a workman's cap on his head \$5 is no reason why we should give \$500,000 to some other taxpayer whose income is regular over the years. That is the kind of discrimination which the bill embodies.

I do not wish to make any commitments at this time. I shall probably

offer as a substitute for the Senate committee bill the original House Ways and Means Committee bill, known as the Doughton bill. If that fails, I shall reserve the right to vote for the least harmful measure—very likely the substitute offered by the Senator from Georgia [Mr. GEORGE]; but I want the Senate and the country to know that I am not in favor of any wholesale gift of taxes in this period of world crisis.

It is said that the proposed abatement would not result in any loss to the Government, and that a taxpayer would pay in 1943 anyway. Let us see whether we would lose any money.

If the taxpayer pays his 1942 taxes, and also his 1943 taxes, the Government of the United States collects taxes for 2 years. If he pays only his 1943 taxes, and does not pay his 1942 taxes, the Government does not collect taxes for 2 years, and it will never collect the tax for the other year. In no event can we ever justify the abatement. We can soften the word all we please, grease it, perfume it, and bedeck it with flowers and oratorical metaphors, but it is still a gift. We cannot avoid that conclusion. If it is not a gift, why is anyone in favor of it? If it were not a gift, there would not be so much clamor for it. If it were not a gift Mr. Ruml would not be excited.

Think about Mr. Ruml. He wants the payment of his income tax to become current. Is he one of the wage earners who is so anxious to become current that he thinks we must deduct his income tax from his salary? Everyone knows who Mr. Ruml is. He is one of the heads of Macy & Co., and one of the officials of the Federal Reserve bank. Mr. President, can you not picture Mr. Ruml being in such a fix that we must deduct a little something out of his pay envelope in order that the Government may collect income taxes from him?

I will admit that this is a tempting sort of thing. We are told that the Government will not lose a cent, that income-tax collections will be on a current basis, that we shall all be happy, and the Government will receive just as much money as it previously received. Mr. President, that is not true. I challenge anyone to bring the mathematicians and professors before us to demonstrate that a man can keep in his pocket \$600,000 which he owes to the Government, and that the Government will be none the worse off. If that can be demonstrated, I will withdraw these remarks.

What does the bill do? I hold in my hand a table entitled "Amounts of tax cancellation at selected income levels, and total amount canceled for all taxpayers under different plans."

Under the bill as passed by the House a man with a \$2,000 income is forgiven \$140 in taxes, under the Ways and Means Committee bill \$100, under the 50-percent uniform cancellation he would be forgiven \$70, under the 75-percent plan he would be forgiven \$105, under the Senate committee bill he would be forgiven \$140. He would get it all back. Santa Claus is here. He is supposed to come on the 25th day of December each

year, but, according to this bill, he will come every day during the year 1942. Every day in 1942 old Santa Claus will be coming around with a Government present and saying, "My dear sir, your income is a million dollars. It has been a million dollars all the time, but now, in order to place the payment of your income taxes on a current basis, I will give you \$600,000. [Laughter.] I am just going to make you a present of it because I want you current." I am informed I made a mistake. He is to be given \$854,000—\$854,000 to the man with a million-dollar income. His chauffeur is dodging taxes, and we have to place him on a current basis, so we will give the old man \$854,000 back, and get \$1.37 out of the chauffeur, through deductions. [Laughter.]

Let us take a man with a \$5,000 income. Under the bill as it passed the House he would be forgiven \$691. That is a pretty good dividend, is it not? It is a dividend on what? A dividend on dodging a year's taxes.

Under the Ways and Means Committee bill this taxpayer would be forgiven \$388. Under the 50-percent deduction plan he would be forgiven \$373. Under the 75-percent plan he would be forgiven \$560. But under the Senate committee bill he would be forgiven \$746 on a \$5,000 income.

Let us take the case of an income of \$10,000. Senators ought to be interested in the \$10,000 income bracket. Under the bill as passed by the House a man with a \$10,000 income would be forgiven \$1,614. Under the bill of the Ways and Means Committee he would be forgiven only \$860. Under the 50-percent plan he would be forgiven \$1,076. Under the 75-percent plan he would be forgiven \$1,614. But under the bill of the Senate Committee on Finance the man with a \$10,000 income would get \$2,152 remission in order to place him on a current basis.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. WILEY. I should like to propound a question to the Senator from Texas.

Mr. CONNALLY. Do not make it hard.

Mr. WILEY. Now that the Senator from Texas has mentioned the question of payments of taxes by Senators—

Mr. CONNALLY. I merely said that they should be interested in that bracket.

Mr. WILEY. I appreciate that. The question which I desire to propound will be a very simple one. Let us assume a tax liability of \$2,100, and that I have paid that tax. I want to know what it means when the Senator calls it current. Would it mean that during this year, instead of paying it in a lump sum in January, I would pay the entire \$2,100 in 12 monthly installments? Would that make it current, or what is the proposal,

Mr. CONNALLY. The theory is that the Senator would not pay any in 1943, but he would pay it in deductions.

Mr. WILEY. In December 1943, would I have paid out the \$2,100, the same as I have paid it out already, and having paid it, if the proposed bill shall become a law, will I gain anything by that payment?

Mr. CONNALLY. The Senator will get back what he paid on 1942 income, should the proposed bill pass. Am I correct in that?

Mr. WILEY. I do not so understand it.

Mr. CLARK of Missouri. Mr. President, will the Senator from Texas yield?

Mr. CONNALLY. I yield.

Mr. CLARK of Missouri. The Senator from Texas certainly does not mean to make any such statement as that which he has made.

Mr. CONNALLY. He would not pay it twice.

Mr. CLARK of Missouri. No one would get a refund. The only difference is that the payment made on the 1942 taxes would be credited on the 1943 taxes. The taxpayer would not receive any refund of any sort.

Mr. CONNALLY. The Senator from Wisconsin asked me whether, if he should pay his taxes by the month, and had paid the full amount by the end of December 1943, he would get it back in 1944.

Mr. CLARK of Missouri. The Senator from Texas replied that the Senator from Wisconsin would get the money back, but he would not.

Mr. CONNALLY. No; I meant he would receive a refund on 1942 taxes, and if he did not, there would be a fraud in the pending bill. As I understand, he is forgiven the 1942 taxes which he has paid. Let us say I have paid the tax in monthly installments and I am as current as I ever will be.

Mr. CLARK of Missouri. Mr. President, if the Senator from Texas will permit me, I do not want to interrupt the current of his thought, but what would occur is that if the 1943 or 1942 tax, whichever is the lower, were remitted—

Mr. CONNALLY. That is correct.

Mr. CLARK of Missouri. And the taxpayer paid on the 1942 or 1943 tax, whichever is the higher—

Mr. CONNALLY. That is correct.

Mr. CLARK of Missouri. The payments made heretofore on the 1942 tax will be credited on his tax payments for the 2 years, 1942 and 1943, whichever it may be in each taxpayer's case.

Mr. CONNALLY. That is correct.

Mr. CLARK of Missouri. There is no such thing as a refund.

Mr. CONNALLY. My statement concerning a refund was predicated on the statement of the Senator from Wisconsin that he went ahead and paid up to December 1943, by the deduction method. If he did that, then he would be entitled to whatever he had paid on the 1942 taxes, as a rebate or refund.

Mr. CLARK of Missouri. If he paid in excess of the higher year, 1942 or 1943, subject to the then current deductions.

Mr. CONNALLY. That is correct.

Mr. WILEY. Mr. President, there has been so much confusion in the newspapers and otherwise that I will put the question in this way: Assuming the same income in 1943 as in 1942, what the people are interested in knowing is, how much less the taxpayer will be out of pocket in January 1944 under one plan or the other. Having paid my 1942 tax in March 1943, as I understand the mat-

ter, I shall be the same amount out of pocket under the pending bill as I would be under the other provision, because the only difference is that I pay it in 12 monthly installments, and in January 1944 I would still be \$2,100 out of pocket. Is that correct? There has been much talk about refunds and rebates, and that kind of thing, which does not mean anything when we come down to the question of dollars and cents.

Mr. CONNALLY. Well, if it did not mean anything, there would not be any Ruml bill here.

Mr. WILEY. The argument for the Ruml plan, as I understand it, is that payment of taxes would be made what is called current, so that if one pays his income tax by monthly installments during the year and dies during the course of the year, there will be certain advantages accruing to his estate.

I want to know who can answer this question, putting it concretely: Assume I have paid my tax of \$2,100 in a lump sum. Having paid it, in January 1944 do I gain anything under the proposed plan if I pay it currently month by month, or in January 1944 shall I be out \$2,100 the same as I am today?

Mr. CONNALLY. No.

Mr. WILEY. I should like to ask the Senator from Georgia. I should like to know. I think the people of the country want to know, because there is so much bunk and bunkum about the thing.

Mr. CONNALLY. Does the Senator from Wisconsin think that I cannot answer him? [Laughter.]

Mr. WILEY. No; I do not imply that.

Mr. CONNALLY. I am perfectly willing that the Senator from Georgia shall answer the question.

Mr. GEORGE. If I understand the situation, the taxpayer has paid his 1942 tax in full. The withholding provisions of this bill, if it passes as the committee has recommended, and as the bill stands before the Senate at the present time, would apply beginning with July 1. They would apply to the salary and wages of a taxpayer who had paid his tax liability in full as well as the taxpayer who is paying on the installment basis. However, the adjustment would be made in his final return for the year 1943. In other words, it may be assumed that I, for example, paid my tax in 1942 in full on March 15, and that I had only a salary income, and that my 1943 income will be only the same salary income. Beginning with July 1 of this year, under the pending bill, I would have withheld from my salary 20 percent of the amount in excess of my withholding exemption. The withholding exemption in my case will be \$1,248. That 20 percent would be accumulated to my credit and in my final return that I would make for the year 1943 I would have an adjustment, and if I had overpaid the 1943 tax, which would be the case, of course, if the 1943 income were identically the same as the 1942 income, derived from the same sources, and so forth—when I make my final return I will have an adjustment and receive credit for the amount overpaid.

Mr. WILEY. As a matter of fact, though, the taxpayer would be the same

money out of pocket, would he not, as if he had paid it in March or whenever he had made the adjustment?

Mr. GEORGE. He would be, and he would get it back only if he overpaid his tax.

Mr. WILEY. But the confusion is about the word "abatement," or "forgiveness," which is applied to the other question as to how much the taxpayer will be out of pocket or how much he will gain by it. The answer, as I get it, is that he will pay the same in January 1944 or in March 1944, whenever the adjustment is made, as he would have paid if he paid a lump sum in March of this year.

Mr. GEORGE. Exactly; that is true, provided his tax liability is the same.

Mr. WILEY. Yes; provided it is the same.

Mr. GEORGE. The payment made in March of this year, if the bill passes, will be credited against 1943 income tax, and the liability for 1942 will be discharged.

Mr. CLARK of Missouri. Mr. President, if the Senator from Texas will permit me to trespass upon his time for a moment—

Mr. CONNALLY. I yield.

Mr. CLARK of Missouri. I should like to have the Senator from Wisconsin listen to me. The Senator may have paid the same in 1943 under either system, either the current system or the system proposed by the bill reported by the majority of the Finance Committee, but there is this essential difference, that in 1944 he would be paying on 1944 income while under the present system he would be paying on 1943 income. In other words, he would be current with his taxes instead of being a year behind, while under the present system he would always have a tax debt hanging over him from year to year.

Mr. WILEY. So the only year in which a taxpayer could win would be the year in which he died.

Mr. CLARK of Missouri. If the Senator from Texas will permit one other observation, let me say that I have never believed that there was any forgiveness or any personal advantage to anybody in the system. I believe there is great governmental advantage in having everyone current with his taxes, and having the Government able to collect the taxes as the taxpayer earns them.

Mr. McFARLAND. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield briefly to the Senator from Arizona for a question.

Mr. McFARLAND. The Senator from Wisconsin suggested that the taxpayer would gain only if he died. Is it not a fact that if a man had a war contract and was making \$100,000 in 1942, and in the year 1943 he made the same amount, he would pay the same under the Senate committee bill as he would have paid otherwise, but if he did not make anything in 1944 he would not have to pay any tax? In other words, the Government would lose the tax on \$100,000 made under a war contract.

Mr. CONNALLY. I think the Senator is right. Let me say to the Senator from Wisconsin, who seems to be worried, that

the taxpayer has already paid his 1942 tax.

Mr. WILEY. The Senator is putting words in my mouth; I am not worried.

Mr. CONNALLY. Nobody is worried if the tax is paid, of course, but he will not have to pay any tax in 1943 unless his 1943 income was higher than his 1942 income; or if he decides he would rather pay on 1943 income he pays on 1943 income, and draws back from the Treasury what he has paid on 1942 income. In other words, upon the payment of \$2,150 he satisfies, in effect, both 1942 and 1943 taxes; under the present system one payment satisfies only for 1942.

Mr. President, if you had in your house a tenant who was paying you \$15 or \$25 or \$100 a month rent, if he should skip a month you would know it, would you not? If he should skip a month, and should not pay the rent, you would be out a month's rent—I care not whether he was paying on a current or any other basis.

I have a dollar bill here in my hand—the first one I have had for some time. [Laughter.] When that dollar bill goes into the Treasury of the United States it reduces the burden of the Treasury by a dollar. Mr. President, do you suppose there is anybody in the Treasury who gets out a microscope and tries to examine that dollar and see whether it is current or is not current? It is a dollar; it is an asset to the Treasury of the United States; it is worth a dollar; but when this bill proposes to forgive \$854,000 in one lump sum to a million-dollar taxpayer who does not come within the windfall provision, who is not a war profiteer, who has a steady income of a million dollars every year, the result would be to hand over to him for 1942 taxes which are already due, which are already assessed, and which in part have probably already been paid, \$854,000, and the Government would kiss that \$854,000 good-bye; it would never see it again.

What about inflation? What effect will that have? The freeing of all this money which would otherwise be paid in taxes is bound to have an inflationary effect. The one who benefits says, "I was not looking for that; Congress knocked \$100,000 off my taxes; I have \$100,000 to spend for something; I am going to have a good time; I am going to squander a little money." That is the reaction of everyone when he gets some easy money. Those who live in horse-racing States, Kentucky and other States, may feel like betting on horse races and making a big killing, or spending it in some other way. So, Mr. President, it has a bad effect on inflation.

However, I desire to continue the comparison as to what we are giving up. I am going to take that dollar and put it in my pocket; I am not concerned whether it is paid by a current taxpayer or by an uncurrent taxpayer; to me it is just a dollar, a part of my salary from the United States Government.

Now let us see what we do for the \$100,000 man. It is desired to make him current. He has a \$100,000 income, and it is a terrible thing that he is not paying taxes on it every day. He ought to

figure his taxes every day; at night he ought to put in a box enough money with which to pay his tax. He has only a \$100,000 income. In order to help him out let us see now what it is proposed to do for him. Even the House bill gives him \$18,690; the Ways and Means Committee bill, \$11,357; a 50-percent forgiveness amounts to \$32,030; the 75-percent plan amounts to \$48,045. But that is not enough; no, that is not enough. He is a nice fellow, and we want to make him current. He has a \$100,000 income, it is true; but we are going to give him \$64,060 in order to make him current. He owes that money right now to the Treasury of the United States; it does not belong to us to squander; it does not belong to the Senate of the United States to give away; it is a sacred trust and, under the Constitution of the United States, no power in this Government can give it away except the Congress, because it is the property of the United States, under a tax assessment that has been levied, determined, and adjudicated. It is the property of the people of the United States, and we have no moral right to remit it. We have a legal right or we have the naked power; yes, we have the naked power to do it; we have the cold, inexorable authority to do it, but we have no right to do it, and furthermore we will have to get that money back in another tax bill. Where are we going to get it? I warn Senators that every dollar they give away in this bill will sooner or later have to be collected out of the taxpayers of the United States.

The President has already called upon us to pass a tax bill to provide \$16,000,000 new money, not forgiven taxes for 1942—the beneficiaries of the forgiven taxes will be under the shed and they will not be bothered—but \$16,000,000 of new taxes, in addition to those we have already levied. Where are they to be obtained? We have already taxed the larger incomes in the higher brackets so heavily that they do not constitute a source for further productive revenue. Where are we going to get the money? We will have to get it out of the \$3,000-a-year men, the \$5,000-a-year men, the \$10,000-a-year men, the \$15,000-a-year men, the \$20,000-a-year men, and the \$25,000-a-year men; we will have to get the money out of the taxpayers in the lower and the medium brackets of income. That is the source from which it has got to come. Every dollar given away in this bill must be recouped from those least able to pay it. How many little men will the \$854,000 it is proposed to hand to a man with a million dollars income represent? How many little taxpayers will have to dig up out of their earnings, out of their toil, out of their hardship, out of their deprivation, to make up for the \$854,000 which it is proposed to hand to one taxpayer in order to get him current? We have to get him current.

Why is it not proposed that we make the corporations current? The bill does not disturb the incomes of corporations. I am not speaking for corporations, but some of those who are to have their taxes remitted under the bill are interested in corporations. The bill would tax cor-

porations in the same old way. The corporations pay their taxes on the 15th of March. It is not proposed that we make them current. Why should we not make them current, if currency has such an appeal? If it is so necessary that we have a current system of deductions each period, why should we not apply it to corporations as we do to individuals? Of course, that may come a little later. I admit this may break the ice, and then we will do that. It may come later.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. CLARK of Missouri. Of course, the theory and justification for the whole plan of making the Nation current in its tax payments is that it will enable the Treasury to make collections at the source and will go to the point of making the Nation able to come to a pay-as-you-go plan. Of course, no one has suggested any plan—and if I knew one which would be feasible, I should be in favor of it—no one has suggested any plan whatever by which it is possible to undertake the collection of a corporation's taxes at the source, because a corporation cannot possibly before the end of the year know what its taxable income may be. It cannot tell as to any particular contract what its taxable income may be. The plan now proposed has never been suggested as applicable to anything except personal income, because the tax on income which comes into a man's hands may be collected at the source, a practice which every other intelligent nation in the world has already adopted.

If the Senator will permit me a word further, I see no analogy whatever between collection of the tax on personal income at the source and the collection of the tax on corporation income at the source, because the latter is not possible.

Mr. CONNALLY. In reply to the Senator from Missouri, let me say that the men with great income, even under the pending bill, will not pay at the source, because they do not draw salaries or wages. There is nothing withheld except from salaries and wages, so that if I have an income of a million dollars from stocks, and bonds, and manufacturing concerns, and such things, although I do not pay currently, yet, on the theory that we are to collect from everybody, I get back \$854,000. I should be ashamed of myself. The men who help me do that should be ashamed of themselves.

Mr. President, what does the bill accomplish? It is said it does not give away anything. It does not? Under the bill as it passed the House it would remit—and I want the Senators to listen to this—it would remit, or abate, a large amount of taxes. Senators can take whatever word they desire; if "forgive" does not suit a Senator, if that is harsh to his tympanum, he can use "abate," or some such delicate word. Then let us say "abate"—and many have grabbed the bait. [Laughter.]

The House bill abates, or gives away, or forgives—and if the bill shall pass there will have to be a great deal of forgiveness between now and the next elec-

tion—the House bill gives away \$7,238,000,000, which the Treasury needs more badly today than it has ever needed it since George Washington sat in the President's chair. Shades of Alexander Hamilton! I invoke them. Shades of Alexander Hamilton, who was trying to redeem the credit of the Nation by his assumption bills, and other legislation to make the Government strong in its finances. I invoke the shades of Alexander Hamilton, when, at the time of the worst financial crisis in our history, when we face more militant and aggressive and dangerous enemies than ever congregated upon any field of battle in all the long and historic past, the Government of the United States, while begging its people to give it \$16,000,000,000 more out of their incomes, turns around and hands out to taxpayers, who have already been assessed, from whom the money is already due, under the bill as it passed the House, \$7,238,000,000; under the Ways and Means Committee bill, the Doughton bill, \$4,672,000,000; under the 50 percent plan, \$4,908,000,000; under the 75 percent plan, \$7,361,000,000; and under the Finance Committee plan, the amendment now before us, there would be handed out to them \$9,815,000,000.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. CLARK of Missouri. I should like to ask my distinguished friend, the Senator from Texas, whether he has any schedule which shows the cash position of the United States this year, or next year, under these various plans. In other words, it seems to me what the people of the United States are now concerned about is what will be the actual cash in hand, on the part of the Government of the United States, this year, or next year, or the year after, rather than what might be the contingent claims of liability against taxpayers, which could only be collected at judgment day, and which might then be defaulted under insolvency. I should be interested to have the Senator get his young man from the Treasury Department, who has always opposed—

Mr. CONNALLY. The gentleman from the Treasury Department is here at my request, and I hope the Senator will not criticize him; I do not think he is subject to criticism.

Mr. CLARK of Missouri. I am not criticizing him, but I am suggesting that the Senator from Texas get the young man from the Treasury Department, who has appeared before the Committee on Finance presenting the view which the Senator from Texas is now presenting, who is an expert at figures, prepare a schedule showing the cash position of the Government under the present law, and under the various plans which have been suggested for changing the present law. In other words, it seems to me that in these parlous times what we should be actually considering is how much money the Government of the United States is going to have in hand this year, and next year, and the years during the continuance of the war—which I hope may be short, though they may be long—rather

than counting contingent liabilities which may or may not be collected.

Mr. CONNALLY. I thank the Senator. I do not need to call on the Treasury experts to answer that question. I can call on one of the page boys and he can tell me that if I owe 2 years' taxes and the Government forgives one of them, I am better off than I was before. I do not need the Treasury to answer that question.

Mr. CLARK of Missouri. If the Senator will permit me, I think one of the page boys here could probably make a much more intelligent answer than many which the Treasury Department made to the inquiries which have been propounded in the Committee on Finance. [Laughter.]

Mr. CONNALLY. That may be, but the answers seem to have had a strange influence on the Senator from Missouri, who has been going in the other direction ever since the statements were made.

Mr. CLARK of Missouri. Yes; by reason of what was stated to be the basis for the Treasury recommendations.

Mr. CONNALLY. I do not always agree with the Treasury. In fact, I do not always agree with anyone. [Laughter.]

Mr. CLARK of Missouri. The Senator certainly did not agree with the Treasury on the matter of the community property tax and a great many other things.

Mr. CONNALLY. No.

Mr. CLARK of Missouri. Therefore it seems remarkable to me that the Senator from Texas constantly holds up his hand in reverence at any suggestions made by the young men from the Treasury Department.

Mr. CONNALLY. Oh, no; the Senator from Missouri is wrong about that. That is the attitude of the Ruml-ites. They say, "Oh, Mr. Ruml, give us our daily bread. Mr. Ruml, give us our abatement, give us our forgiveness."

Mr. CLARK of Missouri. The Senator from Texas does not touch the matter of community property.

Mr. CONNALLY. No. I am not frightened by those things. I meet every issue when I come to it. I am not a devotee of the Treasury. I frequently disagree with the Treasury. The fact that I happen to agree with the Treasury in this instance is no sign that I am following the Treasury any more than the Treasury is following me. The Treasury might be following me. I am not at all sure about that. [Laughter.]

Mr. CLARK of Missouri. When the Senator follows the Treasury he is not exercising his usual acumen.

Mr. CONNALLY. I beg the Senator's pardon.

Mr. CLARK of Missouri. When he follows the Treasury the Senator is not so acute as he usually is.

Mr. CONNALLY. The Senator has been heaping obliquely on the Treasury. Now, as I understand him, he says that I am not acute when I do not follow the Treasury.

Mr. CLARK of Missouri. Oh, no; on the contrary.

Mr. CONNALLY. What does the bill do, Mr. President? Call it abatement,

if you want to do so, but if I should pawn my watch at the pawnbroker's and fail to redeem it, I would not call that abatement. I should consider my watch as having gone. When it is proposed to give away \$9,000,000,000 those who propose to do so cannot soften it, cannot cover it over with sugar and a little chocolate, and make the people of the United States think that the \$9,000,000,000 is not being given away.

Let us consider an example. Let us take the case of a married person without dependents, with a steady net income each year of \$100,000. I am not talking about windfalls. A great deal is said about windfalls. The Treasury will get a little money as a result of windfalls; the Treasury will get a little money from speculators, and get-rich-quick fellows, and adventurers, and war contract brokers, and a few fellows of that ilk; but the income taxes of this Nation on the whole are paid by the men with large steady incomes. I see some of them over on the Republican side. I wish we had some on the Democratic side. [Laughter.]

Mr. CHANDLER. Mr. President, will the Senator yield to me for a question?

Mr. CONNALLY. Yes, I yield.

Mr. CHANDLER. Is the Senator from Texas supporting any of the bills which propose to forgive taxes?

Mr. CONNALLY. I am not personally in favor of any of them. I should rather support some of them in preference to others, however, because they are less harmful, but if I had my way I would not give away one dollar of taxes. I should favor beginning the imposition of taxes on salaries and wages at the earliest moment, and crediting the taxpayer on whatever is deductible from his tax when it is due.

Mr. CHANDLER. Of all the bills, toward which is the Senator most favorable?

Mr. CONNALLY. The House Ways and Means Committee bill, the Doughton bill, because it does less harm to the Treasury.

Mr. CHANDLER. I want to add one more word. I do not think that the fact that we have horse racing in Kentucky should make any difference in our consideration of the tax bill.

Mr. CONNALLY. Mr. President, by what I said, I meant no reflection on Kentucky. Most of those who bet on the races run in Kentucky come from outside the State and go to the Derby in Kentucky.

Mr. CHANDLER. No, I do not think so. Texas tried racing, and for some reason did not make a go of it. Horse racing in Kentucky began a great many years ago. I do not think horse racing, however, should have anything to do with the tax bill.

Mr. CONNALLY. No. I merely meant to say that if any easy money came to a man, the tendency would be for him to go out and have a good time and spend it.

Mr. President, I pay my respects to Kentucky. Kentucky is a State of beautiful horses, and God knows I admire them. There is nothing finer than a beautiful horse. God Almighty made

him. He is not an artificial product. He is not made by statute. He is not the subject of cloakroom negotiations and Finance Committee deliberations. A race horse is a beautiful creature. I thank God that he can run. I thank God for his speed. I have been thrilled as I have seen him on the race course. No one blames Kentucky for running beautiful horses, fine horses. God bless them. I wish we had more of them and less automobiles.

Mr. CHANDLER. I thank the Senator.

Mr. CONNALLY. I will say that the junior Senator from Kentucky is the worthy representative of that great State.

Mr. President, let us consider an example of a married person without dependents with a steady net income each year of \$100,000. One hundred thousand dollars a year is a pretty comfortable income, is it not? The man with such an income is in a terrible strain about his income tax. He gets "current" pains about March 15 each year. He feels he must become current. What benefits will the man with an income of \$100,000 a year receive under the Senate Finance Committee bill? The amount of forgiveness—Mr. President, I should have said "abatement"—I keep using that offensive term "forgiveness." I do not mean to offend, Senators. "Forgiveness" implies that something needs to be forgiven, that some wrong has been committed. I do not mean that. I mean abatement, so please bear with me on that. The amount of abatement is \$64,060. Here is an income of \$100,000 written down on the tax books. The income tax on that amount has already accrued. It belongs to the United States. It is a debt from the taxpayer to the Treasury of the United States. This bill says to that taxpayer, "You do not need to pay a cent of it. You do not need to pay a nickel of it."

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. CLARK of Missouri. Does the Senator have the figures to show how much the man with such an income would pay in 1943? How much money would actually go into the Treasury of the United States that could be used for building battleships, tanks, guns, and so forth?

Mr. CONNALLY. Yes; I can tell the Senator.

Mr. CLARK of Missouri. Under the proposed law how much would come in, compared with what would come in under the current law?

Mr. CONNALLY. Under the current law the Treasury would receive \$64,060 for 1942.

Mr. CLARK of Missouri. Not necessarily.

Mr. CONNALLY. Yes.

Mr. CLARK of Missouri. Yes; that is true. But I am speaking of this year.

Mr. CONNALLY. That is when he is going to pay it. He does not pay it until March of this year. So that would come in to the Treasury for 1942, and then in 1943 we would get another \$64,060.

Mr. CLARK of Missouri. No; the Government would not get that in 1943. It would get it in 1944 under the current law.

Mr. CONNALLY. Yes; at the end of the current year.

Mr. CLARK of Missouri. Yes; and the Government would always be a year behind in its taxes. The Senator talks about a lot of old tax liabilities. Instead of those old tax liabilities, which never would be collected, how much will the Government actually receive in cash money this year, in the particular tax period the Senator is talking about, as compared to the amount which would be received under the present law.

Mr. CONNALLY. I will try to answer the Senator.

Mr. CLARK of Missouri. I wish the Senator would.

Mr. CONNALLY. The man in question has a steady income, as the statistics show. The Government would receive \$64,060 each year until Congress changed the law. The Government would receive that amount in cash each year. Mr. President, no windfall provisions apply to reduce this amount, because it is a steady income. Do not be misled by the word "windfalls." They are windfalls, yes, but they are mighty little windfalls—more "wind" than "falls." The amount of \$64,060 forgiven—I want Senators to listen to this—is 178 percent of the \$35,940 of income after taxes. In other words, when the man pays his taxes under the old system, out of an income of \$100,000 he would retain \$35,940. Now, in order to make that taxpayer fully current it is proposed that we give him 178 percent of what he would have left under the old system after paying his taxes.

Thus the forgiveness adds to the amount at his disposal to spend, or to save, the equivalent of 20 months of additional income after taxes. The wartime tax increases on a \$100,000-a-year income, under the Revenue Acts of 1940, 1941, and 1942, amounted to a total of \$62,833 for the 3 years. In other words, under the tax bills of those 3 years the liability of the \$100,000-a-year man over those 3 years was increased to \$62,833 for the 3 years. The tax cancellation of \$64,060 is \$1,227 more than this total of wartime increases. We are asked to give this man back in 1 year all the increases which we have included in tax bills for 1940, 1941, and 1942, and in addition \$1,227. This taxpayer would thus be better off by \$1,227 than if he had been entirely exempted from all tax increases since 1939.

This taxpayer during his lifetime will pay \$64,060 less than under existing law. His actual payments will reflect this at such times as his income declines, or, if a decline in income does not occur before his death, at his death.

Mr. President, there is so much that can be said and should be said with regard to the bill that I cannot find the time to do so, and I do not dare to trespass upon the time and patience of the Senate in order to present it; but I want to state a few other figures.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield for a question.

Mr. WILEY. From the Senator's statement I understood that what he called the forgiveness or abatement provision would result in the forgiveness or abatement of about \$9,000,000,000. Does the Senator have the break-down to show the total, for instance, from the \$1,500 income class up to the \$100,000 income class? The Senator will remember that in a recent controversy in the Senate, evidence was put into the RECORD showing that there were only 3,200 persons in the United States who would have a salary of approximately \$67,500 or over. I was wondering how the \$9,000,000,000 forgiveness or abatement about which the Senator spoke would affect certain classes.

Mr. CONNALLY. I do not have that information at the moment.

Mr. WILEY. Probably the Treasury can obtain it.

Mr. CONNALLY. But before the debate is over I shall try to get it for the Senator; because the Joint Committee on Internal Revenue Taxation has the figures made up from time to time, but usually it is a year or two after the tax year before they can obtain the information.

Mr. President, let us discuss very briefly the House version of the bill, particularly in connection with its currency features. The only difficulty about the Senate committee recommendation is that the United States would be shy \$9,000,000,000 in currency and the taxpayers would have \$9,000,000,000 more currency than they would have had if the bill were not passed. That is the chief currency item which I see in the bill.

The House text would have made 90 percent of all taxpayers current, and 99 percent of all taxpayers current to the extent of at least three-quarters of their tax liability. If we take the House version, which as I now recall figures only \$4,000,000,000—

Mr. GEORGE. Mr. President, let me say that the House text would forgive aggregate taxes of \$7,200,000,000.

Mr. CONNALLY. Very well; I stand corrected.

Mr. BANKHEAD. Does the Senator mean the bill which the House sent to the Senate?

Mr. CONNALLY. Yes. I stand corrected; I was thinking about the Forand version.

The bill as passed by the House would have made 90 percent of all taxpayers current, of course, because the House bill would have omitted entirely the 6 percent normal tax and the 13 percent surtax rates, which in practical effect would have remitted the taxes for 90 percent of all taxpayers and would have made 99 percent of all taxpayers current to the extent of at least three-quarters of their tax liability.

So if currency is what we want, if we want to make the taxpayers current, the House version makes practically all taxpayers current; it makes all of them current except those having the larger in-

comes, those who do not need to be made current. Yet we shall save \$2,000,000,000 by passing the House version of the bill rather than by adopting the Ruml plan.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. CLARK of Missouri. Is the Senator for the bill as passed by the House?

Mr. CONNALLY. I am for the bill as passed by the House in preference to the Senate committee recommendation. I am not for either one of them.

Mr. CLARK of Missouri. Has the Senator advocated the House bill in the committee?

Mr. CONNALLY. No; I have not advocated the House bill. If I had my choice I would take the original House Ways and Means Committee bill. However, I cannot get what I want. What I want is not to remit these taxes, not to give them away. There is no measure which would do what I want except the present law; and before I shall vote for giving away the taxes I will vote for the present law. But if I have to make a choice as between giving away 75 and 100 percent, of course I will choose the 75-percent plan.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. WILEY. Can the Senator tell me what percentage of the national income is included in the so-called wage or earned income brackets?

Mr. CONNALLY. I cannot tell at the moment.

Mr. WILEY. Can the Senator tell us approximately what the figure is?

Mr. CONNALLY. I will get the information for the Senator; I do not have it at the moment.

Mr. CHANDLER. Mr. President, can the Senator tell me how many persons in the United States had an income of more than \$1,000,000 last year?

Mr. CONNALLY. The Treasury expert says 94. I do not know any of those gentlemen; I am not acquainted with any of them, and I am not prepared to state who they are.

Mr. CHANDLER. The Senator knows that I am anxious to ascertain how many persons in the United States had an income last year of more than a million dollars.

Mr. CONNALLY. The Treasury expert now tells me that the number was 60, not 94.

Mr. CHANDLER. Sixty persons in the United States had an income of more than \$1,000,000 last year; is that correct?

Mr. CONNALLY. Yes; 60, so I am informed.

Mr. President, of the 44,000,000 taxpayers estimated for 1943—and these are the ones who will be made current—only 4,000,000 will have surtax net incomes in excess of \$2,000; that is, in excess of the first surtax bracket. That is shown in the attached table No. 1.

Of the 40,000,000 taxpayers made fully current by the House bill, 30,000,000 would become current through collections at the source from wages and salaries, and the other 10,000,000 would become current by estimating their an-

nual income and by currently making quarterly payments on their estimated current year's income. The figures in table 2 show that of the 44,000,000 taxpayers estimated for 1943, nearly 39,000,000 taxpayers would have all their tax liability discharged currently, and only 300,000 taxpayers would have more than a maximum amount of \$90 of taxes not discharged currently.

Mr. President, bearing somewhat on the question asked by the Senator from Wisconsin is a table setting forth individual net incomes for the estimated number of taxpayers for the income years 1942 and 1943, by size of surtax net income and type of income. The table shows the figures for the estimated number of taxable recipients whose incomes are from wages and salaries, with not more than a nominal amount of other income, and so forth. I ask unanimous consent that the table may be printed in the RECORD. To read it would be somewhat tedious, and I do not desire to weary the Senate with it at this time.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 1.—Individual net income tax: Estimated number of taxpayers for the income years 1942 and 1943, by size of surtax net income and type of income

ESTIMATED NUMBER OF TAXABLE INCOME RECIPIENTS ¹						
[In millions]						
Type of income	1942			1943		
	Total	Surtax net income		Total	Surtax net income	
		Not over \$2,000	Over \$2,000		Not over \$2,000	Over \$2,000
Wages and salaries with not more than a nominal amount of other income...	28	26.5	1.5	32	30	2
All other ²	11	9.0	2.0	12	10	2
Total.....	39	35.5	3.5	44	40	4

ESTIMATED NUMBER OF TAXABLE RETURNS ³						
Type of income	1942			1943		
	Total	Surtax net income		Total	Surtax net income	
		Not over \$2,000	Over \$2,000		Not over \$2,000	Over \$2,000
Wages and salaries with not more than a nominal amount of other income...	25	23.5	1.5	29	27	2
All other ²	10	8.0	2.0	11	9	2
Total.....	35	31.5	3.5	40	36	4

¹ Number of individuals receiving net income in excess of exemption.

² Including sources other than wages and salaries, and also wages and salaries combined with more than a nominal amount of other income.

³ Number of returns that will be filed on which a tax will be due. This is less than the number of taxable income recipients because of the filing of joint returns, including the income of more than 1 taxable income recipient, particularly in the smaller income classes.

Mr. CONNALLY. Likewise, Mr. President, I make the same request with regard to table No. 2, which is a somewhat involved table. I do not want to take the time of the Senate to read the table at this point.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE II.—Approximate distribution of income recipients taxable in calendar year 1943 by percentage of total liabilities discharged currently under the House bill

Percentage of total liability discharged currently	Number of taxable income recipients (millions)	Percentage of all taxable income recipients	Cumulative percentage of all taxable income recipients	Maximum amount of tax not discharged currently
100.....	38.7	88.8	88.8	0
90-100.....	4.2	9.6	98.4	\$90
75-90.....	.3	.7	99.1	550
50-75.....	.3	.7	99.8	4,200
25-50.....	.1	.2	100.0	115,000
Less than 25.....	.002	.005	100.0	-----
Total.....	43.6	100.0	-----	-----

Treasury Department, Division of Tax Research.

Mr. CONNALLY. Mr. President, I have already mentioned the fact that cancellation would have a very harmful effect upon our campaign for price control, inflation control, and similar programs. I do not care to take up more of the Senate's time at present; but I seriously and earnestly request the Senate to consider the impact and the consequences of passing the pending bill. It seems to me that, of all times in our history, now is not the hour to forgive \$9,000,000,000 of much-needed revenue. We need it. In a short time we shall go forth on a hunt for more revenue in the form of another tax bill. I ask the Senate where are we to get the money except from the small-income taxpayers and from those in the middle brackets? Every dollar of the \$9,000,000,000 which we forgive, which we pass out at the window to the large taxpayers, must come back into the Treasury from the taxpayers having small-sized and medium-sized incomes.

Mr. AUSTIN. Mr. President, will the Senator yield for a question at this point?

Mr. CONNALLY. I yield.

Mr. AUSTIN. Assuming that under any form of tax we have before us, the amount of money which will actually be paid into the Treasury—that is, revenue to the Treasury—must be mathematically more than the amount of the tax for 1942, when does the Senator consider that the impact of this abatement would occur, so that the Federal Treasury would feel it?

Mr. CONNALLY. I will say to the Senator that we are now on a rising income basis; incomes are increasing; incomes of the people of the United States for 1942 were greater than at any other time in the history of the Republic. But when the war ends, and war contracts pass out of the picture, we shall enter a period of declining incomes and declining income taxes. In my opinion, the impact of what we propose to do today will come when that decline in revenue and income comes upon us. I am not an expert. I am not a financier, or a statistician. However, according to my "cornfield" methods of thinking,

the impact will come when the decline in revenue and income arrives.

Mr. CLARK of Missouri. Mr. President, will the Senator yield for a question?

Mr. CONNALLY. I yield.

Mr. CLARK of Missouri. Assuming that there may be a scale of descending national income and average personal income, would not the Government be infinitely better off in that period to have once gone upon a basis of current taxation and collection at the source, so that it would receive the money when the money was earned, or when the income actually accrued, rather than always being a year behind in its collection of taxes as it is under the system which we now have?

If the Senator will permit me, I recall the case of one of the du Ponts, which was testified to before the old Munitions Committee. As I recall, Mr. Alfred I. du Pont had had an income of more than \$4,000,000 in 1 year during the last war. I cannot be certain as to the exact figure. He did not have to pay his income tax for that year until the year following. In the meantime, he had lost enough in stock transactions so that he did not have to pay anything at all. He died about that time, and his estate did not have to pay anything.

Answering what the Senator was just suggesting with reference to a prospective scale of declining income, would not the Government be very much better off in any year, as a matter of dollars and cents, whether the scale of incomes were ascending or descending, if the Government had taken the money at the source, so far as possible, in the year in which the income was earned, rather than leaving it for dissipation in a scale of ascending incomes, or actually not having the money in a scale of descending incomes? Would not the Government be better off year after year if it should take the money out of the income as it accrues, rather than to depend upon collection in the following year?

Mr. CONNALLY. The Senator from Missouri wishes to know whether the Government would be better off if it received payment every year. It now receives payment every year.

Mr. CLARK of Missouri. For the previous year.

Mr. CONNALLY. No matter what year it comes from it now receives payment every year on income taxes.

The case cited by the Senator from Missouri does not apply to the discussion of the bill. Mr. du Pont did not have his salary or wages held out. That is all the bill would do. It would not hold out the income of the millionaire. Mr. du Pont would never have been touched by the bill, except for getting back a year's income taxes. That is all it would have done to Mr. du Pont. It would not have resulted in the collection of a cent currently from Mr. du Pont, because the bill applies only to salaries and wages. It does not apply to incomes from estates.

Mr. President, the Government of the United States receives income-tax payments every year. What difference does it make whether they are paid from 1942

or 1943 income? If a person owns a bond and is paid regularly, clipping the coupon on the 1st day of every January, what difference does it make to him whether the money is collected out of current revenues or out of some surplus which the company has accumulated? The main thing is that he receives income, and does not "forgive" it.

We hear talk about making the payment of income taxes current. The whole argument is predicated on the theory that there are many small income taxpayers, and that if the Government does not collect the tax by deducting a part of it each month, it will not receive it. These taxpayers have never been in the habit of paying income taxes. I am in favor of deductions in such cases. The original House Ways and Means Committee bill provided that deductions to the extent of 20 percent should be made from wages and salaries. That money would be impounded and placed to the credit of the taxpayer; and when the time came for him to pay his income tax, he would have to pay only the balance which was due, or he would receive a refund.

Mr. President, I do not wish to appear as a hard man who would grind the taxpayers into the dust. However, let me invite the attention of Members of the Senate to the fact that the civilians back home are the only ones who can provide the sinews with which to carry on this great war. Our men yonder on the far-flung battle lines are giving up their blood and their lives in order to carry the flag of this Republic to triumph and to crush our militant enemies. They must have arms and supplies. We are piling up here, for your grandchildren and great grandchildren and mine, a debt so colossal as to stagger the imagination of those of us who belong to the previous generation. In the face of this impending debt, in the face of this colossal demand upon the Treasury of the United States, is the fact that we have already assessed these taxes. They have been appraised and adjudicated. They are the debts of taxpayers to the Government of the United States. They are assets of the Government.

Mr. President, I appeal to the Senate, at such a moment, not to forgive, abate, or give away \$9,000,000,000 of the Nation's treasure on some pretext that we want to make the payment of income taxes current. Remember that back there in the shadows is the army of the masses of common people who, under the new tax bill, will have to bear a heavy increase in their burdens. We shall be doubling and trebling income taxes in the \$5,000 and \$10,000 brackets. A man with an income of \$2,000 will have to make his contribution.

For all we know, there may come a time when we shall have a sales tax, when the tax gatherer will stand beside the hungry man and pluck a sales tax out of the price he pays for food and clothing. We may enact some sort of tax by which the Government will lay its hand upon every natural want of the citizens of the United States. What are we to say to the taxpayers when the Government reaches out and searches their purses and extracts the few dollars they

have left, when they remind us that because of the largesse of statesmen who wanted to make income-tax payments current, they reached into the Treasury of the United States, where their hands have no business, and handed out \$9,000,000,000 to persons who did not need it, and who justly and fairly owed it to the Treasury of the United States?

Mr. DANAHER. Mr. President, I have no intention of trying to entertain my colleagues. However, I have in mind a few facts which may be of importance to our thinking.

I was a member, together with the Senator from Missouri (Mr. CLARK), of a subcommittee of the Committee on Finance which last year, for nearly 2 weeks in executive session, considered the withholding plan as it came to us in the 1942 tax bill, together with the Ruml plan and its variants. The subcommittee had before it Mr. Paul, general counsel of the Treasury. Mr. Ruml kindly came down from New York. We had before the subcommittee representatives of the Brookings Institute, and Commissioner Guy Helvering. In fact, Mr. President, I think I may properly say that we had the cooperation in the subcommittee of all interested parties, both in the Government and out, who were in position to be of assistance to us in our consideration of the problem.

The chairman of the subcommittee, the Senator from Missouri (Mr. CLARK), reported favorably to the full committee. However, at that time the committee as a whole did not see fit to adopt the recommendations of the subcommittee. I have every reason to believe that at this moment the Treasury Department itself wishes the Senate and the House had adopted the plan last year.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. DANAHER. I am happy to yield to my colleague, the Senator from Missouri.

Mr. CLARK of Missouri. The Senator has mentioned the activities of the subcommittee of the Senate Finance Committee. Last year it originally considered and recommended the general principle contained in the Ruml plan as applied to taxation, in order to make the Nation current in its taxes and place it in a position to collect them at the source. To my mind that is the essential requirement of the whole tax situation.

I should like to have my colleague, the Senator from Connecticut, yield to me for a moment longer to say that, having in mind the consideration of that matter in the subcommittee and in the full Finance Committee last year, I regard it as being extremely unfortunate that the consideration of this same principle in the House of Representatives was ever made the subject of partisan activity or partisan consideration. In the subcommittee of the Finance Committee to which the Senator from Connecticut referred, as well as in the full Finance Committee, there was never the slightest suggestion of partisanship. This question should not be subjected to partisan consideration. It is a matter which concerns all the people of the United States. I regard it as extremely unfortunate that

in the consideration of this measure in the House the question of party consideration ever entered into it; and I very sincerely hope that such a situation will not develop in the Senate. I know it did not occur in the Senate Finance Committee when it considered the measure, because on the motion which was originally made to adopt the general principle of the Ruml plan there were as many Democratic votes for the motion as there were Democratic votes against it. I hope the same principle may pervade the discussion of this question in the Senate, because it should not be a partisan question.

Mr. DANAHER. Mr. President, I thank the Senator from Missouri for his helpfulness and cooperation throughout our consideration of this matter, both last year and the present year. I will say to my colleagues that there is certainly no partisan approach involved in my own presentation of the matter.

Mr. CHANDLER. Mr. President, will the Senator yield?

Mr. DANAHER. Yes; I yield to the Senator from Kentucky.

Mr. CHANDLER. I should like to have my able colleague, the Senator from Connecticut, in his own time explain to me the proposal to forgive taxes, and how badly off the Government would be if, as the Senator from Texas [Mr. CONNALLY] has said, we should forgive a considerable number of persons their tax obligations.

For example, take a man who makes \$10,000 a year. If the pending bill should become a law, after the 1st of July he would be subject to a 20-percent withholding tax and a 5-percent Victory tax, which would take from him, from July 1 through December, \$1,250. It is difficult for me to understand how he would be forgiven anything for that period of time, because under ordinary conditions the tax payment which would ordinarily be assessed or levied would not be due until March 15 of next year. Many taxpayers will not pay their income taxes because they will not have the money with which to pay them. Many of them are new taxpayers who have never before filed an income-tax return. As the Senator from Texas has said, there are approximately 60 persons in the United States who will have incomes of more than a million dollars each in 1942. Are we for that reason to deprive many thousands of taxpayers of the opportunity of becoming current in their income taxes and paying their taxes out of salaries as they go along, paying their obligations to the Government when they have the money with which to pay?

I do not want to vote to give away the tax money of the United States at a time when it needs it. I should like to ask the Senator from Connecticut whether, in his judgment, the Treasury would not be better off financially if it could collect the taxes currently rather than to incur the risk of all the contingencies which may arise, resulting in the loss of millions of dollars in tax money which the Government may never collect.

Those are some of the questions which the Senator from Texas has raised in my mind, and I should like to have the Sen-

ator address himself to them at his convenience, if he will be good enough to do so.

Mr. DANAHER. I thank the Senator from Kentucky for high-lighting the points emphasized in his mind. I hope to address myself to them and develop answers which I trust he will find adequate.

Mr. President, if we choose to do so, we can reject the pending plan, or any other plan, and retain the present law. If we decide to retain the present law, every one who became liable for the payment of an income tax on income earned or received in 1942 will have to pay a tax. We do not have to change the present law. And so in 1944, every one would be liable to pay an income tax on income received in 1943.

The pending legislation would not affect, as the Senator from Texas would have us think, only those who receive income from vast estates. Nor would its effect be limited, as another Senator may have implied, to those who have income derived from salaries and wages. Quite the contrary, Mr. President, the bill in its present form would apply to all income which is today taxable under the income tax laws of the United States. It would apply to all net taxable income subject to tax, from whatever source derived.

Mr. President, the Senator from Wisconsin [Mr. LA FOLLETTE] has submitted a statement of individual views, a copy of which lies on the desk of each Senator. It is a very valuable contribution to our thinking in our approach to the question solely from the standpoint of policy.

Do we want to make the shift? If we do, what will be the effect of it? The Senator from Wisconsin correctly points out that under the present law the Treasury estimates that revenue from individual incomes in the fiscal year 1944 will amount to approximately twelve billion nine hundred-odd millions of dollars. But, Mr. President, if we try to make people current with the tax year by requiring them to pay during the tax year out of income received during the year, we must necessarily ask the question, Are the people able to bear so substantial a burden? On the question of policy, there is not only the desideratum of making people current, but there is also the question of how it is to be accomplished.

Mr. President, first let us take up the question of the desirability of becoming current. On that point I refer my colleagues to the statement of Mr. Randolph Paul, general counsel of the Treasury Department. I quote from his statement:

Before this committee I need not dwell on the importance of placing taxpayers on a pay-as-you-go basis and eliminating for the great mass of taxpayers the 1 year lag which now exists in our present system of individual income tax payment. With rates at wartime levels, taxpayers, especially those in the lower income tax groups, find it difficult to accumulate in advance the funds needed for quarterly lump-sum payments. They may suffer actual hardship in the case of a drop or failure in income because of the lag in income tax payments. It is now universally recognized, I believe, that tax payment will

be made easier, and that hardship will be avoided, if tax liabilities are discharged currently out of pay envelopes instead of waiting until the year following the receipt of income.

At the same time current collection will more adequately protect Treasury revenue, and will guarantee a more prompt and more certain flow of revenue to the Government than does the existing method of collection. By promptly withdrawing purchasing power from the income stream before it can exert an upward pressure upon prices, a pay-as-you-go system will strengthen the Government in its critical fight against inflation.

The advantages stated accrue both to taxpayers and Government. With overhanging income tax debt eliminated for the great majority of taxpayers, and with taxes budgeted more certainly and smoothly, taxpayers are better prepared to meet the demands that may be made on them by the necessities of war finance. An income tax payment system putting the great majority of taxpayers on a current basis will better prepare the income tax for its role in the enormous job of financing this total war. These points, I believe you will agree, settle beyond dispute the importance of the pending legislation.

I call to the attention of the junior Senator from Kentucky the statement of Randolph Paul on the first point involved, namely, the advantage of making income taxpayers current, if we agree that it is desirable and advantageous to make income recipients current, with the year in which they receive the income.

The only other question which remains is, How are we going to do it? It seems to me that the advantages are all that Mr. Paul claims, and it has seemed so to me right along.

Let me next take up, please, the question of cancellation.

Mr. CHANDLER. Mr. President, will the Senator yield on that point?

Mr. DANAHER. I yield.

Mr. CHANDLER. Was there any serious disagreement in the committee with respect to the policy the Treasury said we should establish of putting the Nation on a pay-as-you-go basis?

Mr. DANAHER. I do not recall that there was any disagreement on that point, let me say to the Senator from Kentucky. Even in the House it has always been a question of method.

As we listened to the Senator from Texas a while ago we heard him say he does not want forgiveness; he does not want to give the people this money. Mr. President, whatever other reason there may be for denying this legislation, it certainly does not lie in any such assertion. Let us take a case of a Senator who is elected to the Senate whenever he can qualify, which is at the age of 30, and let us suppose that he remains in the Senate so long as he lives, whether it be 30 or 50 or 60 years—and I hope all my colleagues who wish to do so may stay here that long—if he earns constantly, or receives constantly—I even make that distinction—\$10,000 a year income, the Government gets exactly the same tax every year; there is no abatement and there is no forgiveness. The only question of abatement that is involved is that, as a matter of law, a collector of taxes stands charged in the eyes of the Government with a certain tax liability which is set up on his books.

That tax liability at present, Mr. President, was incurred in 1942. So far as the individual assessments are concerned, they all appear on the collector's books and he is liable for them annually.

If by a stroke of the pen, just as a Senator can do at the head of a letter he writes, we simply strike out "1942" and insert "1943" and say, as a matter of law, that warrants of distraint and all other remedies available under the law are available now and shall be available in the future in exactly the same way as they were to taxes payable before we struck out "1942", that is all this would do on the face of it.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. CLARK of Missouri. I agree entirely with what the Senator says; there is no abatement, no forgiveness. I think, however, the Senator should add that under the proposed system there would be no loss, because the Government would be able to collect the money as the money is earned, instead of losing hundreds of millions of dollars of taxes from people who have lost their incomes and on which, therefore, the Government is unable to lay its hands, or who do not have the money to pay a tax on the income in the year in which the income tax should be paid.

Mr. DANAHER. Of course, the Senator from Missouri is right. The fact of the matter is the Treasury collections will go up annually rather than down, and particularly will that be true with reference to the years 1942, 1943, and 1944.

There is another angle, Mr. President, which, so far as I am aware, no one has mentioned, and that is that now we have some forty-odd million people working in war industries, devoting all their time in these days to production for war, but some day, when the war is over, and production for war purposes terminates, unless those people are current, they will be owing taxes the year following their cessation of employment, and they will find themselves burdened with an enormous tax debt, conceivably, at least, or as a national aggregate it will be an enormous tax debt, and the country will not be able to collect it, because they will not be working. So, unless we can put them on a current basis, and impose a current withholding system to the end that the tax be collected as earned in the year for which it is due, we face that additional derangement to the economic system at some time.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. DANAHER. I yield to the Senator from Vermont.

Mr. AUSTIN. I should like to ask the Senator from Connecticut a question bearing upon what seems to me to be a fundamental point which is involved in the money itself about which he is talking. If a dollar should not be taken from the taxpayer for 1942, for example, would that signify anything as to the fundamental question of where that dollar would do the most good for the time being? Assuming that a dollar is taken from the taxpayer at this time for use

in the Federal service, does not the Senator recognize that there is nothing about this so-called forgiveness that affects the fundamental doctrine which I think some other States besides Vermont—I do not know but what the State of Connecticut has made a similar declaration—have declared is the foundation for all taxation? May I include that in my question? I call attention to section 9 of the declaration of rights of the State of Vermont, reading as follows:

And previous to any law being made to raise any tax the purpose for which it is to be raised ought to appear evident to the legislature to be of more service to the community than the money would be if not collected.

In other words, do we not have to recognize that this is not merely a question of abatement or forgiveness for a certain year, but do we not also have to take into account the question of whether the money which would be collected under the new suggestion would be of more use in promoting the successful prosecution of the war than if we pursued the old course?

Mr. DANAHER. Mr. President, I will say that the suggestion of the Senator from Vermont is novel to me as bearing upon the particular problem we are discussing, but most cogent, nonetheless. It is perfectly apparent that instead of predicating our course on estimates, we would base it on knowledge. In addition, the Government would have the current use constantly of all funds withheld. It undoubtedly would reduce borrowing, and hence reduce costs to the taxpayer. I think that the incidence of the problem suggested by the observation of the Senator from Vermont is most interesting, and I thank him for his comment.

Mr. AUSTIN. In other words, the question simplified is, would the money which would be obtained under the form of taxation contained in the committee bill be of more use to the community than the money which would be raised in the other forms presented?

Mr. DANAHER. Mr. President, my father used to remark to me that a bird in the hand was worth a whole bushful, which is an elaboration of the old maxim, and I certainly think it applies by way of rejoinder to the Senator.

Let us take one angle of this matter upon which the Senator from Texas dwelt in terms of forgiveness. He said that we would abate \$9,500,000,000, and that he did not want to be a Santa Claus, giving people any such amount of money.

Mr. President, if on the basis of earnings in 1942 there was an income tax liability of \$9,500,000,000, and if identically the same people earned identically the same income, which would yield, under the 1943 rates, identically the same amount of taxes, the Government would collect \$9,500,000,000 in taxes in 1943, but would credit it on the account of the tax liability accruing this year by virtue of our adoption of the proposed legislation.

The Senator from Texas said he would favor the George proposal, but that proposal would, to adopt the language of the Senator from Texas, cancel \$7,200,000,000, and even the Doughton bill, so-

called, would result in a 50 percent adjustment.

Let us take a case. Under the suggestion of the Finance Committee, which I shall take first, we have two windfall provisions: First, that which deals with a requirement that the tax be collected on income received either in 1942 or 1943, whichever is higher. So that in the first case the incidence of the tax is on the higher income, and hence will yield a higher tax.

The second of the two windfall provisions is designed to recapture the type of income which might be lost under a case which I shall hypothetically propose. In 1942 a man operates as a defense contractor, let us say, and earns \$100,000 of net taxable income. In 1943 he does exactly the same thing, let us say building additional cantonments, or defense housing projects. Under the language of the bill as it comes from the Senate Committee on Finance it would appear that such an individual would not have to pay to the Government a tax on \$100,000 for 1 of those 2 years. But suppose that in 1938 the same man earned \$5,000, and in 1939 had a net taxable income of \$6,000, and in 1940 had an income of \$10,000. We say, "You may elect which 1 of those 3 years you will consider as a base earning year for you. We will agree that since you have had to pay an income tax already on what you then earned, we will give you a statutory credit in the amount of \$10,000 of earned income." So we would add the \$10,000 of the credit to the \$10,000 which he earned in his base year, making an aggregate of \$20,000.

If in 1942 his earnings were \$100,000 net, a tax rate of 64.1 percent applied against that amount would yield a tax of \$64,100. The tax on the \$20,000 would have been at the rate of 32.3 percent, or \$6,460. Thus under the bill as it comes from the committee there would be deducted from the \$64,100 the amount of credit of \$6,460, and we would add the difference, \$57,640, to the whole tax on the whole \$100,000 for 1943, and that individual would owe Uncle Sam \$121,740, which is \$21,000, plus, more than he earned in 1943.

Mr. President, is that forgiveness of anything? Is it not obvious that we are in that fashion recapturing, through that windfall provision, any loss which might otherwise inure against the Treasury, in the event we had failed to take into account these wartime profiteers, to whom the Senator from Arizona [Mr. McFARLAND] made reference? That is a specific reply to the Senator from Arizona. I know the Senator did not receive an answer from the Senator from Texas.

Mr. McFARLAND. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. McFARLAND. Let us suppose a man received \$100,000 in income in the year 1942, and received an income of \$100,000 in 1943, 1944, and 1945, and it stopped in 1946. What would be the situation?

Mr. DANAHER. It is a chance all of us take, to be sure, that we will not always earn \$100,000.

Mr. McFARLAND. I ask the Senator, would the Government lose the tax on the \$100,000?

Mr. DANAHER. There is no question that for one of the 2 years, 1942 or 1943, in a case where there is a stipulated 5-year period of earnings, as in the case the Senator mentions, a loss of taxes would ensue for 1 year; that is correct. But over the lifetime of the earnings of the individual taxpayer, multiplied by 49,000,000, or 50,000,000, or whatever number of taxpayers there ultimately will be, that particular loss will not become apparent, nor will that particular loss result in a net loss to the Treasury; quite the contrary.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. LUCAS. I am not sure that I understand the two Senators. The Senator takes a 5-year period.

Mr. DANAHER. Yes.

Mr. LUCAS. He assumes an income of \$100,000 in 1942, 1943, 1944, 1945, and 1946, and then it drops off from \$100,000, let us say, to \$10,000. The only thing the Government will lose, as I understand, will be the difference as provided in the second windfall provision, between what he would pay as taxes for 1942 under the present rate, and what he expects to pay and would pay under the windfall provision. In other words, we put him on a current basis for the 5-year period, and the only thing the Government would lose in the 5-year period would be the difference; as the Senator has explained, under the second windfall provision. I think I am correct in that statement.

Mr. DANAHER. I think the Senator is correct.

Mr. LUCAS. What the large taxpayer will be compelled to pay under the second windfall provision will be a considerable sum. The Senator stated a moment ago in his example that if the income increased as cited by the Senator, the taxes for this year would be more than the income the man would receive in 1943. Before I take my seat I wish to point out to the Senator—though no doubt he will discuss it later—that it undoubtedly is a hardship case, when a taxpayer has to pay more in 1 year than the total amount of his income. So we have provided in the bill that the 1942 tax, whatever it may be, can be paid in installments over a period of 4 years.

Mr. DANAHER. Let me say to the Senator from Illinois that if we did not change the law at all, this particular man would pay \$64,100 of tax for 1942 and 1943, but in view of the fact that we are making him current and are going to impose an additional burden on him to find the ready money with which to pay this tax, we gave him the base credit. The net result of giving him the base credit was that with the base credit, amounting to only \$6,460, he has to pay \$57,640. At that point the Senator from Illinois himself brought out that there might very well arise many hardship cases and that a considerable period would be required to alleviate the distress, and therefore he moved that the period within which to pay the additional

\$57,640 be extended over a 4-year period, with a rate of interest, as finally imposed by the committee, at 4 percent on any unpaid installments. The result might otherwise be that we were levying a tax in 1943 of \$21,740 more than the man's earned net income for the coming year, and nearly double the amount of the tax liability in the first place.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. DANAHER. I will yield to the Senator in a moment if he will bear with me.

Mr. MURDOCK. Very well.

Mr. DANAHER. I wanted to say simply that in the same case, with the identical figures commented on by the Senator from Georgia [Mr. GEORGE], to which the Senator from Texas [Mr. CONNALLY] said he would subscribe, there would be an abatement of \$48,075 of the 1943 tax. In other words, the 75 percent forgiveness recommended by the Senator from Georgia would result in a tax liability of only \$9,565.

It is perfectly obvious, in other words, that the Senator from Texas in decrying this so-called abatement—and I use his word—is not talking about any deep-dyed underlying fundamental question of principle. He is simply haggling over terms.

Mr. VANDENBERG. Mr. President, will the Senator permit me to say one word on that point, because I think it is essential to emphasize it? The Senator from Texas did say that he would support the substitute proposed to be offered by the Senator from Georgia which represents a 75 percent abatement. The House bill represents a 76 percent abatement. The Senate bill represents a net cash 88 percent abatement. So the only sin involved in this entire proposition, from the standpoint of the attacks made upon it, lies between the 75 or 76 percent on the one hand and 88 percent on the other.

Mr. DANAHER. And whatever consequences are to flow adversely are to be measured by 13 percent of difference.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. LUCAS. The Senator from Texas [Mr. CONNALLY] has said much about forgiving \$9,000,000,000. He has apparently attempted to send out an impression to that effect to the country. A great portion of that \$9,000,000,000 would be included in either one of the bills he is willing to vote for, as he has stated on the floor of the Senate, at least six, or seven, or eight billion dollars would be forgiven under a bill the Senator from Texas has agreed to support. So he cannot be very much worried about this tremendous amount which is going to be denied to the Treasury.

Mr. President, while I am on my feet I wish to make the point that there is an important principle involved in this proposed legislation, namely the principle of placing taxpayers on a current basis.

Mr. DANAHER. Of course.

Mr. LUCAS. And in view of the fact that there is so little difference between the three bills under discussion, so far as what is necessary to forgive in actual

money, it seems to me that we should not have very much trouble in arriving at a vote upon the Senate committee bill, for in my judgment it is far the best of the three bills. But the great principle is the thing we are talking about. The Senator from Vermont placed his finger on something a moment ago when he asked whether we are rendering a service to the community, to the State, and to the Nation in a great period of stress, or whether we are interested in a couple of billion dollars. That is the whole question involved.

Mr. DANAHER. Mr. President, let me say to the Senator from Illinois that the passage of the pending measure is not going to result in the loss of a couple of billion dollars.

Mr. LUCAS. Well, assuming that it did, it would be well worth it, in my opinion.

Mr. DANAHER. It is not going to do so. Let me point out that when Mr. Paul appeared before the committee, the following statement was submitted:

The 1942 tax liabilities under present law are estimated at \$9,815,000,000 before giving effect to the special provisions relating to the armed forces and at \$9,451,000,000 after giving effect to these special provisions. The House bill would cancel \$7,238,000,000. The Ruml-Carlson bill would cancel the entire \$9,451,000,000 but would recoup through windfall provisions \$1,133,000,000, resulting in a net cancellation of \$8,318,000,000 after giving effect to these special provisions.

I stop reading at that point because I want to ask the Senator from Illinois to refresh his recollection, and to recall that when the bill came to us from the House, in the first windfall provision there was an exemption of \$5,000. After we had gone into the matter at some length and argued it back and forth, we struck out the \$5,000 figure, with the result that the Treasury statisticians came before us the following day and told us that the effect of so doing would reduce the rate of cancellation in the neighborhood of \$1,300,000,000. In other words, the Treasury picked up more than the difference between the House bill and the Ruml-Carlson figures as originally submitted before the Finance Committee took that action. The net result, therefore, is that the Ruml-Carlson plan, so called, as modified by the Senate Finance Committee, has brought this problem down to a point where it is clearly in focus as most desirable, and without loss, let me say to the Senator from Illinois.

I mention the matter in extenso to the end that the figures may be in the RECORD and that our Senate colleagues will have a chance to study them.

Mr. LUCAS. The Senator from Connecticut means without loss, I take it, in comparison with the other two bills.

Mr. DANAHER. Without loss, compared to the House bill.

Mr. LUCAS. The Senator from Connecticut is correct, and the Senator offered the amendment in the committee which did exactly what he said was done in connection with the raising of an additional \$2,000,000,000 over what the House bill provided, by merely changing the formula in the first windfall tax.

Mr. DANAHER. I thank the Senator.
Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. VANDENBERG. While the Senator is making some of these other matters crystal clear, there is one other collateral point I wish to call to his attention. We are invited to understand by some of this criticism that we are reaching into the Treasury of the United States and taking some \$9,000,000,000 out of it and distributing it as a Santa Claus largess to the people. Let us make it perfectly plain that there is not one single cash dollar coming out of the Treasury of the United States on account of this proposed legislation. The \$9,000,000,000 is purely a bookkeeping credit. The \$9,000,000,000 is in the pockets of 44,000,000 taxpayers. It is their \$9,000,000,000.

Mr. DANAHER. And they will have to pay it.

Mr. VANDENBERG. And they will have to pay it; and all we are doing is to write a new formula under which they shall pay it, and there is not one living one of them who will pay one cent less in 1943 as the result, or in 1944, or 1945, or any other year, until they reach a declining income or until they die. That is the way we are reaching into the Treasury of the United States.

Mr. DANAHER. Except, let me say to the Senator from Michigan, whom I most sincerely thank for his contribution, we are protecting the men who have given up their businesses, their livelihood, and gone into the armed services at great personal and financial sacrifice to themselves. They, Mr. President, are given an additional credit over and beyond that which is accorded to the ordinary citizen, and in my judgment those in the armed services are entitled to it.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. DANAHER. I yield first to the Senator from Utah, if the Senator will bear with me.

Mr. MURDOCK. I think the Senator from Arizona [Mr. McFARLAND] asked a very interesting question, and I thought the answer of the Senator from Connecticut was absolutely emphatic on that point. But after the Senator from Illinois [Mr. LUCAS] came into the discussion it seemed to me that the Senator from Connecticut changed his answer somewhat. I do not know whether or not it was my fault in misunderstanding; but as I understood the Senator from Arizona, his question was this: Suppose a man makes \$100,000 in 1942, in 1943, in 1944, and in 1945, and then in 1946 his income declines to a lower figure. As I understood the Senator from Connecticut, his answer was that for the year 1942 or for one of those years the Treasury would lose the income tax on one of the items of \$100,000. Is that correct?

Mr. DANAHER. Yes; that is correct, according to my understanding of the question. The reason for that, let me say to the Senator from Utah, is that we were considering a case which the Senator from Arizona suggested of a man

who before 1942 never had earned anything, and who for the 5 following years earned a fixed, stipulated sum. Such a man certainly would have no base period of earnings by which in any sense he could receive a so-called excess-earning credit, or otherwise be penalized.

Mr. MURDOCK. One more observation, Mr. President. I am not sure that the Senator from Arizona has not made out an exceptional case; but even though it be exceptional, the exception might exist; might it not?

In the event it should occur, the Treasury of the United States would lose the taxes on 1 year's income.

Mr. DANAHER. In the specific case to which we are limiting our present discussion, I think the answer is yes. That is my understanding. But the Senator will remember that when the Senator from Illinois later asked me questions on substantially the same point, he was talking about a case in which there were base-period credits.

Mr. MURDOCK. Yes; I understood that. I think the confusion was in my own mind, rather than in the minds of either one of my colleagues. But now by the very enlightening answer of the Senator, that confusion has been removed.

Mr. DANAHER. It may be enlightening. I do not know whether it is correct.

Mr. MURDOCK. The Senator is always enlightening, and usually is correct.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. LUCAS. If the answer of the Senator is correct, it can only be on the theory that for the base period of 1938, 1939, and 1940, the income for any one of those 3 years was \$100,000. In other words, as to a taxpayer who received a consistent income, the same all the way through, for those years, obviously the base period would be just the same, and there would be a loss of the tax on the income for 1 of those past years. I do not know how we are going to reach that type of person.

But what the second windfall provision does primarily is to reach the taxpayer who overnight has made an abnormal profit from war contracts.

Mr. DANAHER. Mr. President, the Senator from Illinois is correct. What we really are seeking to do is to reach the wartime profiteer, if there be any, and we are trying to guard against any other inequities which might otherwise arise.

Mr. McFARLAND. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. McFARLAND. If he has the same income over a number of years, we do fail to reach him; do we not?

Mr. DANAHER. Oh, no.

Mr. McFARLAND. Under the circumstances just stated, if the war were to last until 1946, and if a man made \$100,000 a year for that period of years, we would not reach him, and he would avoid paying taxes on the income received in one of those years. If he made \$1,000,000 in each of those years, under the Senator's last answer, he would escape taxation on \$1,000,000.

Mr. DANAHER. Mr. President, if I may be pardoned for making the observation, that comment is not an apt one. There are literally tens of thousands and hundreds of thousands of men who have gone into the armed services, and who, for example, made even greater incomes for years and years. I have received two or three letters a day from men who formerly earned upward of \$50,000 or \$60,000 a year, and who now are in the Army and are being paid \$50 a month. Mr. President, even assuming that the observation of the Senator from Arizona is apt, which I think is not the case, that observation cancels itself out.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. LUCAS. The trouble with the observation of the Senator from Arizona is that he assumes that war profits were made in the base period 1938-40. No war profits were made in those years. We selected those years as years of normal income for the American taxpayers. In the example given by the Senator, in order to escape paying a year's taxes, the taxpayer would have to have had a base period of normal taxes back in 1938, 1939, and 1940.

Mr. DANAHER. Then I did not understand the Senator's question. I think the Senator from Illinois had it correctly as he and I discussed it, namely, that a man who never before 1942 had an income of any kind, and who in the year 1942 was employed for the first time, and earned \$100,000, and earned a similar amount in the years 1943, 1944, 1945, and 1946—

Mr. LUCAS. That was my question.

Mr. DANAHER. I am sure I am now correct in my understanding; and, therefore, what I said about a base period does not apply at all to my understanding of the section as written.

Whether the Senate would feel that in that particular there is a hiatus as to which we should take other action legislatively is a matter which is quite beside the point. Personally, I think we should not. I think that in the aggregate it washes itself out; but I most assuredly say that in the committee the second windfall provision received very serious criticism from various members. It is by no means necessarily sound. There is not any question that the high tax rates which otherwise would inure against all taxpayers take care of income whenever received, except for the year of abatement; and yet, Mr. President, it has seemed to me that from the all-over view of it, the second windfall provision will achieve a greater equity.

Mr. DANAHER subsequently said: Mr. President, earlier the Senator from Arizona [Mr. McFARLAND] asked me a question on a specific hypothetical case, and the Senator from Utah [Mr. MURDOCK] later directed questions to the very same case. When I gave my answers I did not have at hand the exact language appearing at page 99, lines 18 and 19, of the bill.

I now wish the RECORD to show that the base year reference on page 100 has no reference whatever to the problem hitherto put, for on page 100 the base years

are 1938, 1939, and 1940. The fact is that in the event an individual had no base year earnings in any of those years, but nonetheless earned \$100,000 in 1942, 1943, or 1944, as the Senator from Arizona puts it, there would be a minimum net taxable income credit of \$10,000. The \$10,000, therefore, against the income for 1942 or 1943, whichever is the lesser, would measure the excess tax which would have to be paid. In other words, there would be an excess tax levied against such windfall earner, and the amount would be greater in terms of tax than in the case I had earlier referred to.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. AUSTIN. I should like to have the Senator clarify one point which comes into the discussion collaterally. That is the application of the law to the soldier who had a large income in 1942 and whose income in 1943 is on the basis of \$50 a month. Let us reduce his income to monthly terms. Under the proposal as I understand it, he would be obliged to pay a tax on the larger income at a time when he was receiving the smaller income.

Is some relief for soldiers provided in the bill, in order to take care of such cases?

Mr. DANAHER. It certainly is, let me say to the Senator from Vermont. Marked relief is provided especially for such persons. For example, as I recall—and I do not put my hand on the exact technical language at the moment—such a man would come within the general law which provides that, as to \$14,000 of possible earned income credit, he would be given up to \$3,000 of actual earnings as a credit, which is absolute; that as to the difference, he would have \$11,000 of possible credit, assuming that his income were from investments or from some business back home; but on all income, however derived, above \$14,000, he would have to pay an income tax. That is on the theory, of course, that he would have the business and would have the capital which had yielded the income, and that he would have had to pay the tax, regardless of whether he was in the service. So, by the credit to which I refer, we take care of the overwhelming plurality of cases. I am not specifically and technically accurate, because I do not have the language before me. But that is substantially it.

Mr. BROOKS. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. BROOKS. Is any discrimination or determination made as between enlisted men and officers?

Mr. VANDENBERG. No.

Mr. DANAHER. No; all of them are treated alike, regardless of whether they are commissioned.

Mr. VANDENBERG. That is a change from the present law.

Mr. BROOKS. I understood that it was, but I wanted to be sure.

Mr. DANAHER. Mr. President, it is not my purpose to explain all the features of the bill or even to go technically and with strict accuracy into all such

questions as that propounded by the Senator from Vermont. What I rose to do was to try to import a few facts into our thinking with reference to this whole subject, by way of reply to the Senator from Texas [Mr. CONNALLY]. I felt that it was an appropriate time for comment on the bill.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. LUCAS. Another important fact which the Senator might add in line with the question of the Senator from Vermont [Mr. AUSTIN] relative to soldiers, is that we give the soldiers a much larger exemption for dependents under this bill than the civilian enjoys.

Mr. DANAHER. That is correct.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. VANDENBERG. The Senator has referred to some of the amusing phases of the debate this afternoon. Without seeking to invade that field myself, nevertheless, since many a true word is spoken in jest, I wish to read two or three sentences from the observations of a taxpayer:

To a person well grounded in the fundamentals of religious training the word "forgive" as applied to income-tax legislation is most disturbing.

"Forgive" presupposes sin, misdemeanor, guilt, iniquitous conduct and/or harm to another. Thus, when our duly elected lawmakers talk about "forgiving" our last year's taxes, they are adding insult to injury, i. e., taking the position that it was sinful to have earned enough money to owe a tax.

Carry the reasoning a step further and it means that it's sinful to get up a little earlier and work a little harder than the other fellow, which is contrary to the Scriptures and I don't believe it's true—although sometimes I wish I did.

I am a long-suffering person, but when I elect these fellows and send 'em down to Washington to represent me, it gripes me no end for them to use the word "forgive" in connection with the money that I manage to scrape up and turn in to pay their salaries.

To repeat, many a true word is spoken in jest. The final virtue of the report of the Senate Finance Committee is that it refuses to penalize citizens who do get up a little earlier and work a little harder than the other fellow in order to put themselves in a position where they owe a little larger tax, and therefore obviously have a correspondingly larger abatement. In my judgment, that is an American objective worth protecting.

Mr. DANAHER. I thank the Senator.

Mr. DAVIS. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. DAVIS. Commenting on what the Senator from Michigan said a moment ago as to the word "forgiveness" connoting a sinful act, let me suggest, in all reverence, that in our prayers we say, "Forgive us our debts as we forgive our debtors."

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

Mr. DAVIS. Mr. President, I submit an amendment, which I ask to have printed and lie on the table.

The PRESIDING OFFICER. The amendment will be printed and lie on the table.

Mr. CLARK of Missouri. Mr. President, I send forward an amendment intended to be proposed by me as an amendment of the committee, and I ask that it be printed and lie on the table.

The PRESIDING OFFICER. The amendment will be printed and lie on the table.

Mr. GEORGE. Mr. President, there are certain technical amendments which I should like to have passed on this afternoon, so that they may be included in the substitute. These amendments relate to various parts of the bill. All the amendments which I am now offering are technical. They have the approval of the Treasury.

The PRESIDING OFFICER. The clerk will state the amendments offered by the Senator from Georgia.

The LEGISLATIVE CLERK. On page 61, line 5, in the committee amendment, after the word "income", it is proposed to insert "under chapter 1."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 65, line 18, in the committee amendment, after the word "wages", it is proposed to strike out "to any individual."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 80, line 19, in the committee amendment, after the word "shall", it is proposed to strike out "be in lieu of the return required to be furnished by the employer in respect of such wages under section 147 and shall", and after the period in line 24 to insert "A duplicate of such statement, if made and filed in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, shall constitute the return required to be made in respect of such wages under section 147."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 85, line 13, in the committee amendment, after the word "for", it is proposed to strike out "taxable years", and insert in lieu thereof "the taxable year"; and after the period in line 13, to insert "If more than 1 taxable year begins in any such calendar year such amount shall be allowed as a credit against the tax for the last taxable year so beginning."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 86, line 8, in the committee amendment, after the word "for", it is proposed to strike out "the" and insert in lieu thereof "a."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 87, line 1, in the committee amendment, after the word "paid", it is proposed to strike out "on" and insert in lieu thereof "not earlier than"; and in line 2, after the word "year", to strike out "or in the case of a nonresident alien individual, on the fifteenth day of the sixth month following the close of such taxable year."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 87, line 16, after the figure "(3)", it is proposed to strike out "in respect of any individual, estate, or trust" and insert in lieu thereof "of this subsection, or under section 322 or 1027."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 88, in the committee amendment, after line 2, it is proposed to strike out:

(d) Tax withheld at source: For the date of payment in respect of tax withheld at source under section 466 or under subchapter D of chapter 9, see section 322 (e).

And insert the following:

(e) Cross reference: The last subsection of section 3771 of the Internal Revenue Code (relating to interest on overpayments) is amended to read as follows:

"(f) Estimated tax and tax withheld at source: For date of payment in respect of estimated tax and of tax withheld at source on wages, see section 322 (e)."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 88, at the beginning of line 7, in the committee amendment, it is proposed to strike out "(e)" and insert "(f)."

The amendment to the amendment was agreed to.

Mr. VANDENBERG. Mr. President, I assume that these amendments are all solely perfecting amendments, and in no fashion affect the philosophy of the bill.

Mr. GEORGE. They are all perfecting and technical amendments.

The LEGISLATIVE CLERK. On page 89, line 4, in the committee amendment, after the word "section", it is proposed to strike out "465" and insert in lieu thereof "1621"; and in line 21, after the word "section", it is proposed to strike out "465" and insert in lieu thereof "1621."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 91, line 10, in the committee amendment, after the word "which", it is proposed to insert "excess."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 96, line 10, in the committee amendment, after the word "which", it is proposed to insert "so determined"; and in line 18, after the word "tax", it is proposed to insert "so determined."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 97, line 15, in the committee amendment, after the words "imposed by", it is proposed to strike out "such chapter" and insert in lieu thereof "Chapter 1 of the Internal Revenue Code."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 99, line 17, in the committee amendment, after the word "or", it is proposed to strike out "less" and insert in lieu thereof "greater"; and in the same line, after the word "year", to strike out "1942" and insert in lieu thereof "1943."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 103, line 11, in the committee amendment, after the words "prior to", it is proposed to strike out "such date" and insert in lieu thereof "September 1, 1943."

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 107, line 3, in the committee amendment, after the figure "6" it is proposed to strike out "(b)" and insert in lieu thereof "(c)".

The amendment to the amendment was agreed to.

The LEGISLATIVE CLERK. On page 108, line 17, in the committee amendment, after the word "release" it is proposed to strike out "on or."

The amendment to the amendment was agreed to.

Mr. GEORGE. Mr. President, I offer two further amendments, which I send to the desk and ask to have stated. These amendments are not strictly technical. I shall explain them.

The PRESIDING OFFICER. The amendments offered by the Senator from Georgia will be stated.

The LEGISLATIVE CLERK. On page 68, line 6, in the committee amendment, after the word "week", it is proposed to strike out "at the election of the employer the excess of the aggregate of the wages paid to the employee during the calendar week over the withholding exemption allowed by this subsection for a weekly pay-roll period may be used in computing the tax required to be withheld," and insert in lieu thereof, "the Commissioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer, in computing the tax required to be withheld, to use the excess of the aggregate of the wages paid to the employee during the calendar week over the withholding exemption allowed by this subsection for a weekly pay-roll period."

And on page 74, line 20, in the committee amendment, after the word "week", it is proposed to strike out "at the election of the employer the amount to be withheld shall be determined under the tables applicable in the case of a weekly pay-roll period, and for such purpose the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages," and insert in lieu thereof, "the Commissioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer to determine the amount to be withheld under the tables applicable in the case of a weekly pay-roll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages."

Mr. GEORGE. Mr. President, these amendments are recommended by the Treasury. They are intended to meet this situation: The committee bill permits an employer, at his election, to withhold on a weekly basis in cases of an employee working for less than a week. In some cases such a system of withholding would, however, result in substantial underwithholding, and possible avoid-

ance of tax. This is possible, for example, when the employee works regularly during the week, but for different employers. To prevent this, the amendments would permit the Commissioner to authorize weekly withholdings in proper cases. They would simply permit the Commissioner to authorize weekly withholdings under circumstances in which there would be no tax avoidance.

The PRESIDING OFFICER. The question is on agreeing to the amendments offered by the Senator from Georgia to the amendment reported by the committee.

The amendments to the amendment were agreed to.

Mr. GEORGE. Mr. President, earlier in the day I indicated that I would offer amendments to section 6 of the pending bill. I now have the amendments before me in what I believe to be fairly satisfactory form. I am not offering them at this moment, but I ask to have them printed so that they may be available tomorrow for all Members of the Senate.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. CLARK of Missouri. Will the Senator be willing also to have the amendments to which he has referred printed in the RECORD so that each Senator may refer to them immediately?

Mr. GEORGE. I shall be glad to have them printed in the RECORD, and I ask unanimous consent that it be done.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Georgia? The Chair hears none, and it is so ordered.

The amendments intended to be proposed by Mr. GEORGE to the committee amendment to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, were ordered to be printed in the RECORD, as follows:

Page 97, line 19, strike out "and (2)" and insert "(2) the tax under such chapter for the taxable year 1943 shall be increased by an amount equal to 25 percent of the tax for the taxable year 1942 (determined without regard to this subsection, without regard to interest and additions to such tax, and without regard to credits against such tax for amounts withheld at source), and (3)."

Page 98, line 12, strike out "such excess" and insert "the sum of such excess plus an amount equal to 25 percent of the tax for the taxable year 1943 (so determined), which shall be in lieu of the increase therein under clause (2) of subsection (a)."

Page 98, beginning with the word "the" at the end of line 14, strike out down to and including the word "Secretary" in line 19 and insert "in determining such increase the portion of such excess which is attributable to earned net income (as defined in section 25 (a) (4)), as determined under regulations prescribed by the Commissioner with the approval of the Secretary, shall be disregarded."

Page 98, beginning in line 20, strike out all of subsection (c).

Beginning on page 100, line 23, strike out down to and including the period in line 11 on page 101 and insert:

"(d) Extension of time for payment of half of 25 percent increase in 1943 tax under subsections (a) and (b): At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall, except as hereinafter provided,

extend the time for the payment of the portion of the tax for the taxable year 1943 equal to one-half of the amount of the 25 percent increase therein under subsection (a) or (b), in which case such portion shall be paid on or before the 15th day of the 15th month following the close of the taxable year."

Page 101, lines 13 and 14, strike out "of such increase" and insert "with respect to which the extension applies."

Page 101, line 18, strike out "on each installment" and insert in lieu thereof "on such portion," and in line 22 strike out "installment" and insert "portion."

Page 101, line 23, strike out "any installment" and insert "such portion", and in lines 24 and 25 strike out "and the remaining installments."

Page 102, line 1, strike out "any installment" and insert "such portion," and in line 3 and in line 5 strike out "installment" and insert "portion."

Page 102, line 7, strike out "(e)" and insert "(d)."

Page 102, lines 7 and 8, strike out "(b) and (c)" and insert "(a) and (b)."

Page 102, in line 12, and in lines 14 and 15, strike out "(b) and (c)" and insert in lieu thereof "(a) and (b)."

Page 102, in line 19, and in line 22, strike out "subsections (b) and (c)" and insert "subsection (b)."

Page 102, after the period in line 23, insert "The 25 per centum amount by which the tax for the taxable year 1943 is increased under subsection (a) or (b) shall not be held or considered to be a part of the tax for such taxable year for the purposes of sections 58, 59, 60, and 294 (a) (3), (4), and (5) of the Internal Revenue Code."

Page 102, line 24, strike out "(f)" and insert "(e)."

Page 103, line 3, strike out "(g)" and insert "(f)."

Page 104, line 5, strike out "(h)" and insert "(g)."

Page 107, line 3, after "6", insert "(a) or."

Page 107, strike out lines 9 to 15, inclusive, and insert:

"(B) the entire amount by which the tax for the taxable year 1943 is increased under section 6 (a) or (b) to the extent that such amount is so attributable; and

"(C) the entire amount of the tax so attributable for all subsequent taxable years during which he was in such service; or

"(3) if such individual entered upon such service after the close of the taxable year beginning in 1943,

"(A) that portion of the amount by which the tax for the taxable year 1943 is increased under section 6 (a) or (b) of the Current Tax Payment Act of 1943 which falls due (otherwise than by reason of an extension of time for payment) after entering upon such service, to the extent that such portion is so attributable;

"(B) the entire amount of the tax so attributable for all taxable years during the whole of which he was in such service."

VISIT OF DR. EDOUARD BENES, PRESIDENT OF CZECHOSLOVAKIAN GOVERNMENT IN EXILE

Mr. HILL. Mr. President, I announce to the Senate that tomorrow at 12:15 o'clock p. m. the President of the Czechoslovakian Republic in exile will visit the Senate.

EXECUTIVE SESSION

The PRESIDING OFFICER. What is the further pleasure of the Senate?

Mr. HILL. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. O'DANIEL in the chair) laid before the Senate messages from the President of the United States submitting several nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

Mr. GEORGE. From the Finance Committee—for the senior Senator from Kentucky [Mr. BARKLEY]—who is absent because of illness, I submit a favorable report for the executive calendar on the nomination of Mr. Harry M. Brennan to be collector of customs for customs collection district No. 42, with headquarters at Louisville, Ky.

By Mr. GEORGE, from the Committee on Finance:

Harry M. Brennan, of Louisville, Ky., to be collector of customs for customs collection district No. 42, with headquarters at Louisville, Ky. (reappointment).

By Mr. HAYDEN, from the Committee on Post Offices and Post Roads:

Sundry postmasters.

The PRESIDING OFFICER. If there be no further reports of committees, the clerk will proceed to state the nominations on the Executive Calendar.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. HILL. I ask unanimous consent that the postmaster nominations be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the postmaster nominations are confirmed en bloc.

THE ARMY

The legislative clerk proceeded to read sundry nominations in the Army.

Mr. CHANDLER. I move that all Army nominations on the calendar be confirmed en bloc, except the nomination of Maj. Gen. Ben Lear to be lieutenant general. I ask that that nomination go over until Monday, and that it be considered at that time.

The PRESIDING OFFICER. Without objection, the nominations in the Army are confirmed en bloc with the exception of the nomination of Maj. Gen. Ben Lear to be lieutenant general, which will be passed over until Monday next.

THE NAVY

The legislative clerk read the nomination of Carleton F. Bryant to be rear admiral for temporary service.

Mr. HILL. I ask that the nomination be confirmed.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. HILL. I ask that the President may be notified immediately of all nominations this day confirmed.

The PRESIDING OFFICER. Without objection the President will be notified forthwith.

That concludes the Executive Calendar.

RECESS

Mr. HILL. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 54 minutes p. m.) the Senate took a recess until tomorrow, Thursday, May 13, 1943, at 12 o'clock noon.

NOMINATIONS

Executive nominations received by the Senate May 12, 1943:

DIPLOMATIC AND FOREIGN SERVICE

Anthony J. Drexel Biddle, Jr., of Pennsylvania, now Ambassador Extraordinary and Plenipotentiary to Poland, serving concurrently as Envoy Extraordinary and Minister Plenipotentiary near the Government of Czechoslovakia, to serve concurrently and without additional compensation as Ambassador Extraordinary and Plenipotentiary of the United States of America near the Government of Czechoslovakia now established in London.

SOLICITOR FOR LABOR

Douglas Maggs of North Carolina to be Solicitor for Labor.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 12, 1943:

IN THE ARMY

TEMPORARY APPOINTMENTS IN THE ARMY OF THE UNITED STATES

To be lieutenant generals

John Lesesne DeWitt
Simon Bolivar Buckner, Jr.

To be major generals

Charles Lawrence Bolté
John Reed Hodge
Thomas Bernard Larkin
William E. Kepner
Hugh Joseph Gaffey
Clements McMullen
Robert Gale Breene

To be brigadier generals

Julius Easton Slack
Joseph Eugene Harriman
Frederick von Harten Kimble
Leo Donovan
Thomas Seelye Arms
Dean Coldwell Strother
Oscar Bergstrom Abbott
John Bartlett Murphy
Glen Clifford Jamison
William Gaulbert Weaver
Robert Battey McClure
Paul California Wilkins
Cecil Ray Moore
George Corwin Beach, Jr.
Egbert Frank Bullene
Arthur William Pence
Sidney Erickson
William Oliver Reeder
Robert Falligant Travis
Edward Brigham McKinley
Edwin Daviess Patrick
Aaron Bradshaw, Jr.
Ludson Dixon Worsham
John Ferral McBlain
Henry Benton Saylor
John Henry Gardner

H. R. 2570

IN THE SENATE OF THE UNITED STATES

MAY 12, 1943

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. DAVIS to the bill (H. R. 2570)
to provide for the current payment of the individual income
tax, and for other purposes, viz:

1 Page 100, after the period in line 20, insert: "In com-
2 puting the surtax net income for the taxable year 1942 or
3 1943, as the case may be, for the purpose of determining
4 the amount of the tentative tax under paragraphs (1) and
5 (2), the portion of such surtax net income which is attributa-
6 ble to property acquired by reason of the death of the tax-
7 payer's spouse during the taxable year 1938, 1939, 1940,
8 1942, or 1943 (no part of which is property which was
9 acquired by the taxpayer, or derived from property which
10 was acquired by the taxpayer, in the taxable year 1941,
11 1942, or 1943 prior to the death of his or her spouse),
12 shall be disregarded."

78TH CONGRESS
1ST SESSION

H. R. 2570

AMENDMENT

Intended to be proposed by Mr. Davis to the bill (H.R. 2570) to provide for the current payment of the individual income tax, and for other purposes.

MAY 12, 1943

Ordered to lie on the table and to be printed

78TH CONGRESS
1ST SESSION

H. R. 2570

IN THE SENATE OF THE UNITED STATES

MAY 12, 1943

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. CLARK of Missouri to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, viz:

1 Beginning on page 105, line 16, strike out down to and
2 including the period on page 107, line 21, and insert: "In the
3 case of any individual who dies while in active service as a
4 member of the military or naval forces of the United States
5 and prior to the termination of the present war as proclaimed
6 by the President, the tax imposed by this chapter shall not
7 apply with respect to the taxable year in which falls the date
8 of his death, and the tax under this chapter and under the
9 corresponding title of each prior revenue law for preceding
10 taxable years which is unpaid at the date of his death

1 (including interest, additions to the tax, and additional
2 amounts) shall not be assessed, and if assessed the assessment
3 shall be abated, and if collected shall be credited or refunded
4 as an overpayment.”

78TH CONGRESS
1ST SESSION

H. R. 2570

AMENDMENT

Intended to be proposed by Mr. Clark of Missouri to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes.

MAY 12, 1943

Ordered to lie on the table and to be printed

78TH CONGRESS
1ST SESSION

H. R. 2570

IN THE SENATE OF THE UNITED STATES

MAY 12, 1943

Ordered to lie on the table and to be printed

AMENDMENTS

Intended to be proposed by Mr. GEORGE to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, viz:

1 Page 97, line 19, strike out "and (2)" and insert:
2 “(2) the tax under such chapter for the taxable year 1943
3 shall be increased by an amount equal to 25 per centum
4 of the tax for the taxable year 1942 (determined without
5 regard to this subsection, without regard to interest and addi-
6 tions to such tax, and without regard to credits against such
7 tax for amounts withheld at source), and (3) ”.

8 Page 98, line 12, strike out “such excess” and insert:
9 “the sum of such excess plus an amount equal to 25 per-
10 centum of the tax for the taxable year 1943 (so determined),

1 which shall be in lieu of the increase therein under clause
2 (2) of subsection (a)".

3 Page 98, beginning with the word "the" at the end
4 of line 14, strike out down to and including the word
5 "Secretary" in line 19 and insert: "in determining such
6 increase the portion of such excess which is attributable to
7 earned net income (as defined in section 25 (a) (4)),
8 as determined under regulations prescribed by the Com-
9 missioner with the approval of the Secretary, shall be
10 disregarded".

11 Page 98, beginning in line 20, strike out all of subsection
12 (c).

13 Beginning on page 100, line 23, strike out down to and
14 including the period in line 11 on page 101 and insert:

15 "(d) EXTENSION OF TIME FOR PAYMENT OF HALF
16 OF 25 PER CENTUM INCREASE IN 1943 TAX UNDER SUB-
17 SECTIONS (a) AND (b).—At the election of the taxpayer,
18 made under regulations prescribed by the Commissioner
19 with the approval of the Secretary, the Commissioner shall,
20 except as hereinafter provided, extend the time for the
21 payment of the portion of the tax for the taxable year 1943
22 equal to one-half of the amount of the 25 per centum in-
23 crease therein under subsection (a) or (b), in which case
24 such portion shall be paid on or before the fifteenth day of
25 the fifteenth month following the close of the taxable year."

1 Page 101, lines 13 and 14, strike out “of such increase”
2 and insert “with respect to which the extension applies”.

3 Page 101, line 18, strike out “on each installment” and
4 insert in lieu thereof “on such portion”, and in line 22 strike
5 out “installment” and insert “portion”.

6 Page 101, line 23, strike out “any installment” and
7 insert “such portion”, and in lines 24 and 25 strike out “and
8 the remaining installments”.

9 Page 102, line 1, strike out “any installment” and
10 insert “such portion”, and in line 3 and in line 5 strike out
11 “installment” and insert “portion”.

12 Page 102, line 7, strike out “(e)” and insert “(d)”.

13 Page 102, lines 7 and 8, strike out “(b) AND (c)” and
14 insert “(a) AND (b)”.

15 Page 102, in line 12, and in lines 14 and 15, strike out
16 “(b) and (c)” and insert in lieu thereof “(a) and (b)”.

17 Page 102, in line 19, and in line 22, strike out “sub-
18 sections (b) and (c)” and insert “subsection (b)”.

19 Page 102, after the period in line 23, insert: “The 25
20 per centum amount by which the tax for the taxable year
21 1943 is increased under subsection (a) or (b) shall not be
22 held or considered to be a part of the tax for such taxable
23 year for the purposes of sections 58, 59, 60, and 294 (a)
24 (3), (4), and (5) of the Internal Revenue Code.”

25 Page 102, line 24, strike out “(f)” and insert “(e)”.

1 Page 103, line 3, strike out “(g)” and insert “(f)”.

2 Page 104, line 5, strike out “(h)” and insert “(g)”.

3 Page 107, line 3, after “6” insert “(a) or”.

4 Page 107, strike out lines 9 to 15, inclusive, and insert:

5 “(B) the entire amount by which the tax for
6 the taxable year 1943 is increased under section
7 6 (a) or (b) to the extent that such amount is so
8 attributable; and

9 “(C) the entire amount of the tax so attributable
10 for all subsequent taxable years during which he was
11 in such service; or

12 “(3) if such individual entered upon such service
13 after the close of the taxable year beginning in 1943,

14 “(A) that portion of the amount by which
15 the tax for the taxable year 1943 is increased under
16 section 6 (a) or (b) of the Current Tax Payment
17 Act of 1943 which falls due (otherwise than by
18 reason of an extension of time for payment) after
19 entering upon such service, to the extent that such
20 portion is so attributable;

21 “(B) the entire amount of the tax so attributable
22 for all taxable years during the whole of which he
23 was in such service.”

AMENDMENTS

Intended to be proposed by Mr. George to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes.

MAY 12, 1943

Ordered to lie on the table and to be printed

print, illustration, or characteristic, which, in his judgment, constitutes a violation of this section; and (3) transmit, within 10 days from the date of such seizure, notice thereof to the United States district attorney for the district in which such seizure is made. Within 30 days from the date of receipt of such notice, such district attorney shall institute proceedings in the district court for the forfeiture and destruction of the matter seized. In the event that such notice has not been transmitted within such 10 days or such proceedings have not been instituted within such 30 days, such matter shall forthwith be delivered or returned, at the option of the sender. In any such proceedings, on demand of any party, the facts in issue shall be determined by a jury. Upon the adjudication that the matter seized is of any of the classes described in subsection (a) the court shall order such matter to be destroyed. Upon adjudication that the matter seized is not of any of such classes such matter shall forthwith be delivered or returned, at the option of the sender. The judgment of the district court in such proceedings shall be final, except that it shall be subject to review in the manner provided by law for the review of judgments of district courts of the United States.

"(c) The postmaster shall from the time of any such seizure, retain in a separate file, open to the public, a copy, duplicate, or complete description of the matter seized, together with a copy of his notice to the United States district attorney, and in the case of written or printed matter, he shall, immediately on institution of any proceedings with respect thereto, transmit to the Library of Congress, where it shall be available to the public for inspection, a complete description, or, when possible and convenient, a copy of such matter, or of that part thereof which, in his opinion, brings such matter within a class described in subsection (a). Upon the termination of said proceedings, the postmaster shall promptly cause to be placed in such public file a record of the disposition and adjudication with respect to the seized matter, and shall promptly transmit a copy of such record to the Library of Congress, where it shall be placed with the description or copy of such matter.

"(d) Whoever shall knowingly deposit, or cause to be deposited, for mailing or delivery, any matter, or a copy of reproduction of any matter, which, within 5 years prior to the time of such deposit, has been adjudicated to be nonmailable under this section, or whoever shall knowingly take, or cause to be taken, any such matter, from the mails for the purpose of circulating it or disposing thereof, or of aiding in the circulation or disposition thereof, shall be fined not more than \$5,000, or imprisoned not more than 5 years, or both."

The memorandum presented by Mr. LANGER in connection with the bill is as follows:

This memorandum is written in connection with a proposed bill. The purpose of the bill is to provide a court review where the Government seeks to exclude material from the mails on the ground that the matter contained therein is obscene. The general pattern followed has been that provided for the Customs Bureau (title 19, U. S. C. A., sec. 1305). The proposed bill is intended to be merely an amendment to section 211a, as amended, to the Criminal Code (title 18, U. S. C. A., sec. 334) which sets forth the type of matter the Government deems objectionable and nonmailable.

The procedure now in effect entrusts arbitrary powers in the hands of one individual, the postmaster. The most reasonable remedy is a provision for libel proceedings before a jury and a civil trial of the matter which

the post office seeks to bar. This method, as pointed out above, has already been established as the procedure for the Customs Bureau and has proved very effective during the 13 years since it was inaugurated.

1. Section 211a, subsections 1-18, are merely restatements in separate paragraph form of the matter at present declared objectionable and nonmailable as set forth in title 18 United States Code, Annotated, section 334. It cannot be doubted that the Federal Government in the exercise of its police powers to preserve the health and morals of the country may declare material such as described in the bill to be nonmailable.

2. Section 211b provides that court review of matter deemed to be nonmailable shall be had in the district where the matter is mailed. In general the form followed is that set forth for the Customs Bureau in title 19 United States Code, Annotated, section 1305. In order that a prompt review may be had at the least expense to the sender, it has been provided that only the postmaster at the point of mailing may intercept such matter he may deem to be objectionable and to transmit it to the local United States attorney.

A provision which would give any other postmaster this power would be bad policy, as it might entail the necessity of defending the material at a great distance from where the mailer resided. Furthermore, if any postmaster other than the one at the point of mailing should have the right to intercept the material it would lead to a multiplicity of actions. Under the present provision a decision would be had in only one place, and a ruling, consequently, that the matter is mailable would automatically become binding upon any other postmasters at the points of destination.

An important characteristic of the action here brought is that the action is brought against the material and not against the sender thereof. The reason for this is that, as in proceedings brought against matters arriving from abroad, the nature of the action is in rem and not in personam. Consequently a ruling that a certain book or publication is not obscene would be res adjudicata in a proceeding against such book or article in another place. *U. S. v. One Obscene Book* (D. C. N. Y., 1931, 48 Fed. (2) 821).

3. Section 211c has been added for historical, educational and research reasons. Under the provisions of section 211b upon a finding that the matter mailed is obscene it is thereupon to be destroyed. No record would therefore be kept by which posterity could judge for itself the character of the matter. This provision would thereby prevent the complete destruction of what might be great masterpieces to later generations.

There is obviously no need for this provision in the section applicable to the Customs Bureau, where a similar penalty is imposed upon matter deemed proscribed by the statute. There would obviously be copies of the matter abroad which could be preserved for history. Furthermore, records of these decisions should be kept available to the public so that anyone in doubt could ascertain if a particular publication had been declared illegal.

4. The provision requiring that criminal penalties be limited to material deposited within 5 years of a civil adjudication declaring it obscene is to make the law flexible. Standards are changing so rapidly that no hard and fast rule can well be laid down. Matter condemned today is accepted next year—or it may be the other way around.

The other proposed remedies are obvious and need no argument to support them. With the exception of the 5-year provision and the requirement that records of adjudications be kept available to the public, these proposals are precisely the same as those already in effect concerning the importation of matter from abroad.

CURRENT PAYMENT OF INDIVIDUAL INCOME TAX

The Senate resumed the consideration of the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes.

Mr. O'DANIEL. Mr. President, I wish all problems were as simple as the pending tax measure, House bill 2570. To me it appears to be a very elementary problem. Let us analyze it carefully. One of the greatest privileges a person can enjoy is to be a citizen of the United States. No other nation on earth offers the advantages which are found in America. It costs money for this Nation to give us the privileges and protection we enjoy, and the only way our Government has of raising that money is by taxation.

Our forefathers who set up our system of government made it so simple and so fair and honest that although one may be born in dire poverty, with no relatives or friends of prominence or influence, yet it is possible for such a citizen to rise from that abject and obscure position to a position of great wealth. Any nation which holds open such opportunities to each and every child born within its borders is certainly worthy of the cost of its maintenance.

To raise most of its money, our Government many years ago adopted a system of income taxes and has kept the system in operation ever since. Under this system every individual is permitted to engage in any lawful enterprise of his own choice for the purpose of making profit, with the full knowledge that a certain percentage of the profit shall belong to our Federal Government. Our Government is so fair and liberal with all its citizens that it permits them to continue their operations for 12 months before demanding any of its share of the profits. It then gives another 2½ months' time for each individual to figure exactly what the profits were for the 12 months' period. After this profit determination has been made and the percentage due the Government becomes known, then our Government in its desire to be fair and reasonable grants quarterly installment terms of payment of its share extending for 11½ months after the 12-month period during which the profit is earned. On these liberal installment terms of payment, the Government charges no interest whatever.

The system is so fair that, in case no profit is made, no payments are due the Government. So I say that it is not difficult for me to know my position on this tax problem. With privileges such as these, under no circumstances would I vote for any bill which would cancel 100 percent of my 1942 income taxes, or 75 percent, or 50 percent, or 1 percent, or one-tenth of 1 percent.

When our brave soldiers and sailors return home after they shall have fought this war and shall have won the victory which will protect our profit system of enterprise, along with other great rights and privileges, they will be able to look up the record and to see that the Senator now speaking did not vote to cancel his own income tax for 1942 or for any other year, while they were away from home fighting in the war and while our Nation

was in greater need of money than ever before in its history. Neither shall I vote to cancel any portion of any other taxpayer's income tax for 1942, 1943, or for any other year or fraction of a year.

While our present income-tax system may not be perfect, Mr. President, and while the rates may be exceedingly high, yet it seems to me that the system is reasonably fair and equitable. I think about the only just complaint that could be made against it is that the rates are too high. That, however, is not the fault of our tax system; that is the fault of our appropriation system. Large appropriations have been made, and our Government is in debt deeper than ever before. It needs every dollar it can get in order to pay its debts. With these conditions existing, I do not intend to vote for any bill that will cancel income-tax obligations which, under laws enacted by Congress, have already accrued.

I have heard most of the argument on this question, Mr. President, and I am not going to question the contention or argument of any other Senator. It is the undisputed right of each Senator to say what he pleases and to vote as he chooses. But I have had sufficient business experience to know that the Government's share of my income for 1942 is a just and honest debt due to the Government, just the same as my rent and grocery bills for 1942 were just and honest debts; and I do not intend to try to escape the payment of that debt merely because I have been entrusted with the right to vote on such a plan in this Chamber. If it is not fair for me to vote to relieve myself of this honest, accrued, income-tax debt, it is not fair for me to vote to relieve any other taxpayer of his honest, accrued, income-tax debt, and I do not propose to do so.

The income-tax debt is recognized as a bona fide debt, to such an extent that practically all corporations and many individuals calculate the amount due each month, and set it up on their books and financial statements as a liability, the same as they do for their outstanding bonds, notes payable, and accounts payable.

There may be some who claim that over a period of years the Government will receive as much money from income taxes if we adopt the Ruml plan. That may be true; but to my knowledge no man has yet made the statement that under the Ruml plan each and every taxpayer during the same period of years will pay exactly the same amount of taxes he would have paid under our present laws. Therein, Mr. President, lies the inequity. Some would profit materially by the enactment of the Ruml plan, and others would be forced to pay more taxes than they would pay without its enactment. I have heard nobody deny that that is the fact. Why should we enact legislation which we know is positively inequitable?

Mr. President, I have heard it said that the whole plan is to enable taxpayers to pay on a current basis. Nothing has ever prevented taxpayers from

paying their income taxes currently, and nothing prevents them from doing so now. Any day since 1913 that any taxpayer had a craving to pay his income tax currently he could have tendered the money to the United States Treasury. But I have not heard of anyone pounding on the Treasury doors demanding that he be permitted to pay his income tax every month or every week or every day, currently as he earned it.

No, Mr. President; I cannot believe that very many taxpayers in this country are demanding that they be permitted to pay their income taxes currently. There may be some persons who are demanding that the other fellow pay his taxes currently, but not themselves. There may be some sound reasons why the income tax on wages and salaries should be paid at the source. That type of income is of an entirely different character, because the amount is definitely known each pay day, whereas the exact amount of net income from business or professional transactions cannot be determined until after the close of the full period which, because of seasons or other factors, covers 1 year. It would be a very simple thing to set up a system of income-tax collection which would take care of income from wages and salaries. All it would be necessary to do would be to enact legislation setting up a withholding tax collection system covering all wages and salaries. The tax money would be deducted from each wage and salary payment and forwarded to the United States Treasury and applied on the taxes due by each individual as evidenced by taxpayer's income-tax reports filed on or before March 15 covering the previous year's operations, just the same as payments are now sent in quarterly by millions of taxpayers. The withholding tax collection on wages and salaries of each individual sent in during 1943 would apply on 1942 taxes, just the same as 1943 quarterly installments are now applied on 1942 income. At the end of 1943 adjustment would be made by having the individual pay the balance due or by having the Treasury refund to him any overpayment. Such a change would be a very simple, little one. It would not necessitate revamping the whole income-tax structure. It would not disturb the present Victory tax plan. It would not cancel any taxes accrued under the present laws. It would not cause anybody to pay 2 years' taxes during 1 year. It would not disturb any phase of the present system. It would only set up a weekly and monthly collection system on income taxes accruing from wages and salaries.

Mr. President, I send to the desk amendments to the pending committee amendment to House bill 2570, and ask that they be printed and lie on the desk, to be offered by me at the appropriate time for consideration. I also ask that the amendments be printed in the RECORD immediately following these remarks.

There being no objection, the amendments intended to be proposed by Mr. O'DANIEL were ordered to lie on the

table, to be printed, and to be printed in the RECORD, as follows:

On page 85, line 13, after "calendar year", insert "to the extent not credited against the tax for a taxable year beginning in the preceding calendar year as hereinafter provided"; and following the amendment heretofore adopted to the committee amendment in such line, insert:

"The amount so withheld and collected during any calendar year shall also be allowed as a credit to the recipient of the income against the tax imposed by this chapter for any taxable year beginning in the preceding calendar year as follows:

"(a) If the tax so imposed is paid otherwise than by installments, such recipient may credit against such tax the amount which he estimates as the amount withheld and collected during the first quarter of such calendar year.

"(b) If the tax so imposed is paid in installments, such recipient may credit against each installment the amount which he estimates as the amount withheld and collected for the quarter of such calendar year during which such installment is paid, and for preceding quarters to the extent not credited against any preceding installment.

"(c) If the aggregate of the amount so estimated as withheld and collected during such calendar year and allowed as a credit under subsection (a) or (b) exceeds the amount actually withheld and collected during such calendar year, such excess shall, in lieu of the time prescribed in section 56, be paid on or before March 15 of the succeeding calendar year."

On page 86, strike out lines 3 to 9, inclusive, and, beginning in line 24, strike out down to and including the period in line 4 on page 87.

Beginning on page 88, line 17, strike out all down to and including the period in line 14 on page 104.

On page 104, line 15, strike out "7" and insert "5."

On page 105, line 8, strike out "8" and insert "6."

On page 106, strike out lines 3 to 5, inclusive, and, beginning with the semicolon in line 21, strike out down to and including the word "service" in line 15 on page 107.

On page 107, line 22, strike out "9" and insert "7."

On page 108, line 10, strike out "10" and insert "8."

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. O'DANIEL. I yield.

Mr. JOHNSON of Colorado. Am I to understand that the Senator's proposals do not make any change whatsoever in income tax liability?

Mr. O'DANIEL. That is correct.

Mr. JOHNSON of Colorado. And that withholding taxes collected in 1943 may be applied and are to be applied, under the Senator's plan, to the tax liability levied for the year 1942? Is that correct?

Mr. O'DANIEL. Yes; that is correct.

Mr. JOHNSON of Colorado. Let me say that I wish to read the Senator's amendments, because his proposal is a very interesting one from my point of view.

Mr. O'DANIEL. I thank the Senator from Colorado.

Mr. BYRD obtained the floor.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. JOHNSON of Colorado. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	George	Overton
Austin	Gerry	Pepper
Bailey	Gillette	Radcliffe
Ball	Green	Reed
Bankhead	Guffey	Revercomb
Barbour	Gurney	Reynolds
Bilbo	Hatch	Robertson
Bone	Hawkes	Russell
Brewster	Hayden	Scrugham
Bridges	Hill	Shipstead
Brooks	Holman	Stewart
Buck	Johnson, Colo.	Taft
Burton	Kilgore	Thomas, Idaho
Bushfield	La Follette	Thomas, Okla.
Butler	Langer	Thomas, Utah
Byrd	Lodge	Tobey
Capper	Lucas	Tunnell
Caraway	McClellan	Tydings
Chandler	McFarland	Vandenberg
Chavez	McNary	Van Nuys
Clark, Idaho	Maloney	Wagner
Clark, Mo.	Maybank	Walsh
Connally	Mead	Wheeler
Danaher	Millikin	Wherry
Davis	Moore	White
Downey	Murdock	Wiley
Eastland	Murray	Wilson
Ellender	Nye	
Ferguson	O'Daniel	

The PRESIDING OFFICER. Eighty-five Senators having answered to their names, a quorum is present.

Mr. BYRD. Mr. President, as briefly as I can, I wish to state to the Senate my reasons for voting as a member of the Senate Finance Committee in opposition to the pending legislation providing for 100-percent forgiveness in the payment of 1942 or 1943 income taxes. I do not believe, Mr. President, that during my experience in the Senate there has been a matter of legislation regarding which there could have been a more honest difference of opinion than there is with regard to the question we are now considering. I have reached my conclusions only after the most careful study.

I favor a pay-as-you-earn tax-collection plan. I favored such a plan when the last tax bill was adopted. At that time I offered an amendment in the Senate Finance Committee providing for a withholding tax of 15 percent, combined with a 1-year reduction in the proposed income rates which were then under consideration but had not been made effective sufficiently to lessen the impact of the collection of a withholding tax so as not to place any considerable hardship upon those who would be required to pay the withholding tax at the source. My amendment was defeated by one vote in the Senate Finance Committee. Had it been adopted, it is my belief that 80 percent of the taxpayers would now be on a current basis. The problem of now accomplishing a 100-percent pay-as-you-earn tax collection would have been greatly simplified.

There is a mutuality of interest in the proposal. It is of great interest and importance to the Treasury, as well as the Government as a whole, that taxes be placed on a pay-as-you-earn basis. I frankly admit that and acknowledge it. But it is even of more importance to the taxpayer that the collection of his tax be placed on a pay-as-you-earn basis. I believe, Mr. President, in view of this

joint interest, that there should be a contribution on both sides in order to bring about a condition which would be desirable to both the taxpayer and the Government.

The plan as reported by the Senate Finance Committee, which I voted against, provides for a 100-percent tax forgiveness for 1 year, less the recovery that would be effected through anti-windfall provisions, which I will later discuss.

While I favor the pay-as-you-earn plan of tax collection, combined with such forgiveness as may be necessary to place this plan in operation without excessive hardship, I am unable to vote for a 100-percent forgiveness plan which is certain to result in the years to come in a very substantial loss to the Treasury by a cancellation of taxes on those who are able to pay, many of whom, in fact, have the actual cash in bank now to pay the tax thus forgiven.

If this able-to-pay class of our citizens desire to be placed on a pay-as-you-earn basis, they should be required to pay into the Treasury such an amount of their forgiven taxes as will be a substantial part of the tax which will be canceled.

Many citizens have been led to believe—and the statement has been made in the Senate—that the 100-percent-forgiveness plan will result in no actual loss to the Treasury. By some method of financial juggling taxpayers would be forgiven \$8,500,000,000 of accrued taxes, and the Treasury would not suffer any loss.

A study of the matter should convince anyone that such would not be the case. If the 1942 or 1943 income taxes are cancelled, abated, or forgiven, the result will be that a tax liability to the Government will be cancelled. No one can deny it. It would be, in effect, a cancellation of a debt owed by the taxpayers to the Government.

It is, of course, true that this loss to the Government would not appear immediately, but it would diminish the tax revenue gradually in the years to come, so that ultimately the tax cancellation would be reflected in reduced Government revenue.

The effect of canceling 1 year's taxes would be to confer a gain on every taxpayer equal to his tax liability on his income. In the long run that gain would reflect itself in 1 year's less taxes to pay. In the short run that gain would reflect itself in the wiping out of a debt owed by the taxpayer, thus increasing his net worth.

By canceling the tax liability of all citizens on a 100-percent basis for 1 year, which, after allowance is made for the two windfall provisions, amounts to eight and one-half billions of dollars, under three conditions, which I shall discuss, there will be a direct forgiveness to the individual taxpayer and a direct loss to the Treasury by reason of this cancellation.

First, under the present law when a taxpayer dies, his estate must pay an accrued year's income taxes. Under the 100-percent forgiveness plan such accrued taxes are canceled, and, therefore, the Treasury loses. The taxpayer may

spend it or lose it or give it away. There is a recoupment, assuming that the tax thus forgiven is not expended or given away and remains intact as a part of the estate, but this recoupment is not nearly sufficient to compensate the Treasury for the cancellation of 1 year's taxes.

Take, for example, an estate valued at \$100,000 before the forgiveness of 1 year's taxes occurred. Assume then that this taxpayer earned in the year of forgiveness \$460,000, and that all of this was kept intact during the remaining life of the taxpayer and was added in full measure to the estate. Under this situation a \$100,000 estate would normally pay an estate tax of \$1,800, inasmuch as \$60,000, as we all know, is exempted. If \$460,000 be added, making the estate \$560,000, the total tax would then be \$145,700, or an additional \$140,900, as compared to the \$460,000 of the tax forgiven. Therefore, in this instance the actual loss to the Treasury would be \$319,100, or 69.4 percent of the amount forgiven. That is to say, in this instance, the taxpayer and his estate would benefit to the extent of \$319,100.

Then take, for example, an estate of \$560,000 before forgiveness, and consider that \$250,000 was forgiven. Assume that this was kept intact during the lifetime of the taxpayer and added to his estate, making a total estate of \$810,000. In that instance, the taxpayer would be required to pay \$145,700 on the estate of \$560,000 before forgiveness and, after adding the \$250,000 forgiveness, making an estate of \$810,000, he would pay an additional \$87,500, but he would be forgiven \$250,000, which would represent a loss to the Treasury and a gain to him. In that instance, the Treasury would lose 65 percent of the tax and the taxpayer would make a corresponding gain.

Take, for example, an estate of \$60,000 with a forgiveness of \$10,000 in taxes. In that instance, the Treasury would lose 95 percent.

So, Mr. President, this provision which it has been claimed would compensate the Treasury by the tax forgiveness will do so only in small measure. In the cases cited I do not think anyone can deny the loss that will fall upon the Treasury.

Let me discuss other concrete examples under the second class of benefits to the taxpayers. The second definite condition when a taxpayer gains and the Treasury loses will be when a taxpayer received a regular and constant revenue and then suddenly, for one cause or another his revenue stopped. I will give some concrete examples.

Take a taxpayer who had a constant revenue of \$1,000,000 beginning in 1938 and continuing up to and including 1944, and then this revenue ceased, perhaps because the property which paid the investment revenue may have become bankrupt, or because of the failure of his investments otherwise, or because of changes in the business situation in the country, or he might even have given away his estate in which event he would pay only a gift tax. But, whatever the cause may have been, assuming that the \$1,000,000 income he had been receiving suddenly ceased, in that case he would be relieved of a tax of \$854,000 in the

event that his 1942 tax was the one which was canceled, because, under this proposal, the accrued taxes are canceled, and, that being the case, of course any cessation of revenue would result in a loss to the Treasury.

In the case of a \$500,000 constant income in the period from 1938 through 1944, if this income suddenly ceased, which could happen from one of several causes, the taxpayer would gain and the Treasury would lose about \$414,000.

Under the same conditions, in the case of a tax income of \$250,000, which suddenly ceased from one cause or another, the Treasury would lose and the taxpayer would gain about \$194,000. In the case of a \$100,000 income the loss would then be about \$64,060; in the case of a \$50,000 income the loss would be \$25,328; and in the case of \$20,000 income the loss would be \$6,452. Of course, the reason for this loss is that the accrued tax liability is canceled. Therefore, immediately when a taxpayer ceases to earn he realizes the benefit of the tax cancellation and the Treasury loses by reason of canceling the accrued tax liability. There is no windfall proposed or included in the bill which will reach this situation. It will undoubtedly occur in many instances. It may pay a man, for example, in anticipation of death, to give away his estate, and pay the gift tax only. Thereby he could save under the Ruml plan 1 year's taxes, less what he would pay in the gift tax; and let us remember that the gift taxes are 25 percent less than the estate taxes; that a taxpayer is permitted to give away \$3,000 each year, and if he has five children he could give away \$15,000 without taxation, with a lifetime exemption of \$30,000.

Take, for example, a taxpayer who had a constant income of \$10,000 in the 5 years from 1940 to 1944, but in 1945 had no income, what would be the result? This taxpayer, under the present law, would pay \$8,289 by the payment of 5 full years of taxes. Under the Ruml plan, this taxpayer would pay \$6,127, or 4 years' taxes. That is to say, he would not pay the tax currently for the year 1945 when he ceased to earn. Under these conditions, when a taxpayer who has been earning a current income suddenly stops earning, the Government will unquestionably lose 1 year's taxes. I may remind the Senate that this situation is very apt to occur in the readjustment period after the war.

Then take, for example, a taxpayer with a \$10,000 income in 1940, 1941, and 1942, falling to \$8,000 in 1943 and \$6,000 in 1944, and with no income in 1945. Under the present law, such a taxpayer would pay a total of \$6,509 and only \$4,537 under the Ruml plan, representing a loss to the government of \$2,154. In this case, the taxpayer would pay 5 years of taxes, under the present law, and only 4 years under the Ruml plan.

Take another example, a taxpayer with a \$10,000 income in 1940, 1941, and 1942, rising to \$15,000 in 1943 and \$20,000 in 1944, with no income in 1945 would pay a total of \$14,489 in taxes under the present law, and only \$12,337 under the Ruml plan, a difference of \$2,152, the

amount of the tax canceled on his 1942 income of \$10,000.

From these three cases it must be absolutely clear that tax cancellation eliminates 1 year's tax payments in these instances. In all three cases, the taxpayer would pay 5 years' taxes, under the present law, and only 4 years' under the Ruml plan.

Then take, for example, the income of a Senator—my own case, for example. For the year 1940 I earned \$10,000 because of my salary as a Senator, as I did in 1941, 1942, 1943, and 1944. Then, suppose that my term ceased by death, by resignation, defeat, or otherwise. I would then save \$2,152 unless my Senate salary were augmented by some other form of income.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. TAFT. Would not the Senator assume that if he should cease to become a Senator he would probably make more money the following year than he did while he was a Senator?

Mr. BYRD. That is, of course, a possibility.

Mr. President, the third specific condition under which the taxpayer gains and the Treasury loses, and the one which, in my judgment, will result in the greatest gains to the taxpayer and the greatest loss to the Treasury is that after the war, when the prosperity created by the expenditure of the vast sums incident to the war shall have come to an end and we must readjust and reconstruct the business economy of this country on a greatly reduced basis, we will have a level of individual income much lower than it is today. That, I think, is inevitable. It is then that the taxpayers will gain the largest amounts and the Treasury will lose most heavily at a time when it can least afford to lose. For example, let us assume that an executive had a constant income of \$100,000 beginning in 1938 and continuing throughout the war period, but in the readjustments incident to the post-war conditions his salary was reduced to \$50,000 as a constant salary.

In that case this particular taxpayer would save \$36,955 immediately, when the reduction occurred, and would save the remainder, or at least a part of the remainder, of \$64,060 at death, less whatever additional estate taxes would be assessed against his estate.

We must remember, Mr. President, that it is proposed that we cancel the taxes on one of the two highest incomes this Nation has ever enjoyed, or perhaps ever will enjoy, either the 1942 or the 1943 income. It is perfectly possible that we will never enjoy an income in this country equivalent to the income of 1942 and 1943. Yet it is proposed in this pending measure that we cancel the taxes of one of those years.

It is estimated that the national income in this country in 1943 will reach the enormous figure of \$140,000,000,000 as compared with \$79,000,000,000 in the prosperous year, so-called, of 1929, and it is proposed that we cancel the taxes on whichever income is the lower, that for 1942 or 1943.

In the same situation, let us take a man with an income of \$1,000,000 which is reduced to \$500,000 by reason of the changed conditions in the post-war period. That man will have a net saving immediately, when the reduction occurs, of \$414,000, and the balance of \$852,000, less the additional estate taxes his estate may be assessed.

Of course, I recognize the great advantages of a pay-as-you-earn plan, and I realize that consideration should be given to the benefits which come to the Government as well as to the taxpayer. But the benefits are much more to the taxpayer than they are to the Government, and under the proposed legislation the Government would stand 100 percent of the loss that will occur to the Treasury and the taxpayer would stand none.

If Congress wants to cancel these taxes, and thinks it is an advisable thing to do in order that we may be put on a current basis, then let us come out frankly and tell the people of this country that taxes on those who are able to pay, who have the money in bank to pay, are being canceled, without requiring of them any substantial payment in order to obtain the advantage to the taxpayer of going on a current basis. Whatever may be the decision in regard to the proposed legislation, certainly the people of America should understand that this is a tax-cancellation proposal, and that there would be a benefit to the taxpayer, and a peculiar benefit to those who had the money in hand and were able to pay these taxes.

I recognize that perhaps no legislation has been proposed in Congress for many years that had the popularity back of it the so-called Ruml plan has today, but I do not believe the people of this country fully understand what would be the effects and what are the implications of the passage of a bill providing for 100-percent tax cancellation, and I make the prediction that when they do understand it, when they become fully conscious of it, this 100-percent cancellation will not receive the commendation many think it has today. At this time, when the Nation is faced with the most colossal expenditures in its history, we should hesitate a long time before we cancel taxes which are accrued and owing to the Government, which are just as much a debt as if I were to give my note at my bank, when there is just as much reason for me to pay my accrued taxes as to pay a bank note. We should give consideration to the loss which will occur to the Treasury if we cancel those taxes, and give consideration, too, to the distribution of the benefits to the taxpayers.

Mr. President, let me make this prediction, that if the bill shall be passed in its present form, canceling 100 percent of tax liability, an aggregate of eight and a half billion dollars, before the ink is dry on the signatures of the presiding officers of the two Houses the President of the United States and the Treasury of the United States will call upon the Congress to increase the existing tax rates in proportion to the cancellation and forgiveness we extend to the tax-

payers under the bill. If that should occur, if there should be an increase in the rates, which are already exceptionally high in many instances, then the so-called benefits to the taxpayer would quickly sink into complete oblivion, and most taxpayers would be injured rather than benefited.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. DANAHER. Does the Senator feel that if there should be no cancellation, and if the bill should be rejected, the President and the Treasury would not still ask for an increase in tax rates?

Mr. BYRD. I think the Senator knows I am not in the confidence of either the President or the Treasury. I do not think it is necessary for him to ask me that question.

Mr. DANAHER. The Senator had intimated as much in his previous remark.

Mr. BYRD. I said that it was my prediction, and it is my prediction. As to what amount of forgiveness should be granted, that is difficult to state. If the Senator wants my personal opinion as to the amount of forgiveness, I think a 50 percent forgiveness would be fair, 50 percent forgiven by the Government and 50 percent by the taxpayer, in order to put in operation a plan which would be mutually beneficial both to the Government and to the taxpayer.

Mr. DANAHER. Will the Senator yield further?

Mr. BYRD. I yield.

Mr. DANAHER. I did not ask the Senator's personal opinion of the rate of forgiveness. What I asked was the Senator's prediction, if he chooses to give it, as to whether or not there is and will be need for an increase in the tax rates, irrespective of whether we pass the bill or reject it.

Mr. BYRD. I could not answer with respect to the attitude of the Treasury and the President, because I am not in their confidence. I believe firmly that if the proposed cancellation is made on the basis of 100 percent, all the loss being on the Government, none of it being paid by the taxpayer, there will be a demand upon Congress to make good the loss.

Mr. DANAHER. On the basis of the Senator's prediction with reference to a 50 percent abatement—or forgiveness, to use the Senator's word—is it his prediction that the tax rates will have to be increased only 50 percent if we have a 50 percent abatement?

Mr. BYRD. I think the force of the argument for an increase of taxes will be much less effective on a 50-percent basis of cancellation than on a 100-percent basis of cancellation, if that is an answer to the Senator's question.

Mr. VANDENBERG. Mr. President, let me pursue that thought for a moment, because I am very much interested in the Senator's prophecy about the Treasury's attitude. I will concede to him that the Treasury will take advantage of every possible prejudicial opportunity it can fabricate out of this situation, because it has done so for weeks and months. Does the Senator think, however, that if we were to pass the bill as it came from the House, which now, I understand, has the

quiet acquiescence at least, of the Treasury—perhaps it is an acquiescence which is purely strategic, and based solely upon its inordinate desire in this unique instance to be sure that all the taxpayers of the United States are not treated equally—does the Senator think that the Treasury would be bound by that acquiescence not to use this excuse still to ask for an additional compensating tax to off-set the loss incidental to the George substitute?

Mr. BYRD. An answer to the inquiry would be purely an opinion on my part. I do not know whether the Treasury would or would not, but as a member of the Senate Committee on Finance, and as a Member of the Senate, I will say that a proposal made by the Executive to increase taxes would be much less impressive to me on a 50-percent or a 75-percent cancellation basis than on a 100-percent basis.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. DANAHER. If it should develop that the Treasury would in fact lose nothing by way of income for the year 1943, would the argument that we should increase the tax rates still impress the Senator?

Mr. BYRD. That is an assumption which I do not concede. It may be true for 1943, but not for future years.

Mr. GEORGE. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. GEORGE. The Senator from Virginia is discussing the reduction of the 1942 liability by 50 percent, let us say, or 75 percent. It seems to me to be perfectly clear that a reduction by 75 percent of the lesser of 1942 or 1943 tax liability on individual income-tax payers would almost of necessity result in the stabilizing of the individual income taxes, at least during the next 2 years, and might be carried to the next 3 years, because under the proposal I am making there is added the 25 percent to the taxes of the next 2 years; that is 12½ due in March 1944 and 12½ due in March 1945. I do not think there would be any real danger that individual income taxes could be raised with that added burden on the taxpayer, but no one can pledge what he will do in a war situation like this. There would, it seems to me, be no chance, however, to increase the individual rates.

Mr. BYRD. The Senator from Georgia is of the opinion that if, for example, a 75-percent tax cancellation were adopted and the other 25 percent spread over a period of 2 or 3 years, that would, to a large extent, safeguard those particular years from a general increase in taxes? Is that true?

Mr. GEORGE. Yes.

Mr. VANDENBERG. May I ask the Senator what the difference is between that and the situation which the Senator prophesies, namely, that if we pass this bill, we then may confront an increased tax recommendation from the Treasury? The very bill proposed by the able Senator from Georgia would increase everyone's income tax 12½ percent next year, and 12½ percent the

following year, and I do not think that even the Treasury, in the midst of its wildest delusions, would recommend a larger increase than that in a subsequent tax bill.

Mr. GEORGE. Mr. President, if I may answer the distinguished Senator, I will tell him that there is a considerable difference. In the first place it is merely carrying over 25 percent of a fixed 100-percent liability. That is one difference. In the second place it is not an increase in the tax rates. Put the tax rates up and see how long it will take to get them down. They will not be lowered in 2 years. This liability can be carried over, however, and when that liability is discharged we will be back at least on the present high rate under which the country may have to live for a good long time.

Mr. VANDENBERG. If the Senator will permit me—

Mr. BYRD. I yield.

Mr. VANDENBERG. I will say that I agree with the able Senator from Georgia that there is a difference between a specific addition to the tax which terminates within 2 or 3 years as compared with an increase in rates, but so far as the poor taxpayer is concerned it hurts him just as much to pay 12½ percent increased tax next year even if he has a copy of the able Senator's statement before him to assuage his feelings.

Mr. GEORGE. Mr. President, I grant that, yes, but this is a war burden, and I do not think it is unduly burdensome for any man to pay this 25 percent and his regular tax out of 2 years' income. If the present rates are livable at all, if we can exist under them, certainly with 2 years' income we ought to pay an additional 25 percent. I know the payment is high, but I agree with the philosophy announced by the Senator from Virginia [Mr. BYRD], to this extent at least, that tying in of the tax liability with the earnings as they are produced is a benefit to the Government and a benefit to the taxpayer. I believe that whatever is a benefit to the taxpayer is of course and necessarily a benefit to the Government. But I think there is a fair middle ground on which it ought to be possible to make the adjustment on a basis that will actually guarantee that the taxpayer will become current in his tax payment without throwing all the loss upon the Treasury at this time. Therefore I suggested that at least 25 percent of the 1942 tax, subject to the just windfall provision in the committee bill, ought to be collected. I think that on reflection few Senators will fail to agree that that is the sounder and better policy to pursue.

Mr. BYRD. Mr. President, I think the Senator from Michigan likewise overlooks the fact that the cancellation of 75 percent of tax will in many instances confer benefits on the same class of citizens who have to pay the additional 25 percent. There is no question about that. It is far better to have a temporary increase in payment of tax in order to discharge a debt which one owes the Government, than to have a general increase in tax rates.

Mr. VANDENBERG. That may be so as a matter of technique, but I wish to repeat, and then I will not interfere with the Senator's argument any further—

Mr. BYRD. I do not object to interruptions, I will say to the Senator.

Mr. VANDENBERG. I repeat that I am not impressed by the threat that if there is a 100-percent cancellation of the tax for the lower of these 2 tax years, the inevitable result will be a Treasury recommendation for further increases in taxation by way of compensation for the cancellations, because I see very little difference as respects the cash situation of the taxpayer himself between the Senator's proposition, which is not to cancel entirely but only partially to cancel, so that the taxpayer then has to pay the addition, which is a new and extra tax, and the subsequent creation of a new assessment of an equivalent amount.

Mr. BYRD. Does not the Senator recognize that under the George plan the taxpayer is paying 25 percent to cancel an obligation of 100 percent?

Mr. VANDENBERG. Yes; and I also realize that if the bill is passed 99 taxpayers out of 100 will pay more taxes this year than they would if the bill were not passed.

Mr. BYRD. That is not true of 1945 and 1946 and of future years.

Mr. VANDENBERG. It is true of 1944 and 1945 if the report of the committee is to be relied upon, and the report of the committee was presumably drawn by experts.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. TAFT. The Senator is assuming that income is going to go down in 1944, 1945, and 1946?

Mr. BYRD. No; I said it was going down in the post-war period.

Mr. TAFT. Exactly. But the time will also come when it will go up, and the Senator must realize that under the pay-as-you-go plan, when the national income is raised—

Mr. BYRD. Does the Senator from Ohio think that we will have a higher permanent national income in the future than we have now?

Mr. TAFT. I think undoubtedly 20 years from now the income of this country will be greater than it is even today, if the Senator wishes to know my opinion, and it is only an opinion. My point is that when income goes up the Government receives its tax money more quickly, because the Government receives the increased income immediately that year, than it would the following year.

Mr. BYRD. The Senator does not share the view of many, then, that after the war there will be a readjustment and a period when incomes are declining?

Mr. TAFT. Certainly. I am only saying that—

Mr. BYRD. That is the time when the taxpayers under 100 percent forgiveness will get the benefit.

Mr. TAFT. We must also think of the period in the future when incomes are going up, and in those periods the Government every year will receive more

money than it would receive otherwise. So I do not think the Senator can base his argument on the assumption of what will happen 20 years from now.

Mr. BYRD. Twenty years from now many present taxpayers will have passed on.

Mr. TAFT. I am looking at the situation from the point of view of the Government, not at the moment from the point of view of the taxpayers.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. WILEY. I am not a member of the Finance Committee, as Senators know, and I must say that I have not had time thoroughly to study the problem. There seems to be a controversy with respect to the fundamental issue, namely, how much money will be obtained by the Treasury. The public generally has derived the idea that there is to be what is called a cancellation or a rebate. I have heard it said on the one hand that under the proposed plan, if it becomes law, there will be just as much money paid in 1943 into the Treasury as there will be if the proposed legislation is not passed. Some persons say more money will be paid in. It seems to me we are begging the question. Some say there will be a loss of \$9,000,000,000. If the money goes into the Treasury, when is it lost?

The loss is going to happen sometime in the future. When? It cannot happen if the incomes go up. As I understand the situation, it can only happen when the individual taxpayer either loses his income or dies. If he dies in the middle of the year, his estate must pay the income on what he earned in the preceding 6 months, and must pay the estate tax besides. If the toboggan—I am speaking of the economic toboggan—goes down and the income of the country declines, there will be a corresponding benefit to the poor taxpayer. That development may result in not so many businesses or so many estates becoming bankrupt; and it seems to me that is an argument on the other side.

However, what I cannot understand, let me say to the Senator, and what I wish he would explain to me, is how he arrives at the \$9,000,000,000 loss. The Senator assumes, apparently, an income of \$140,000,000,000, of which \$100,000,000,000 is in salaries and wages.

Mr. BYRD. Let me explain to the Senator that the \$9,800,000,000 loss is from the cancellation of the tax liability.

Mr. WILEY. Well, that is begging the question.

Mr. BYRD. It is not begging the question at all, because that is what we would be doing. We would be canceling a tax liability of \$9,800,000,000, less the recoupment from the so-called windfall provisions. That is the whole issue. That is not begging any question at all, as I see it; that is what we would be doing.

Mr. WILEY. When the Senator says "the tax liability," he is asking that out of \$140,000,000,000 income, \$100,000,000,000 of which is in salaries and wages already earned, we would collect the income the Senator claims is proposed to

be canceled; and yet for 1943 it is said—and the Senator does not seem to deny it—

Mr. BYRD. I do not deny it for 1943.

Mr. WILEY. We would get more money into the Treasury in this way than we would otherwise.

Mr. BYRD. But what the Senator does not—

Mr. WILEY. Comprehend is the word, yes.

Mr. BYRD. I do not say "comprehend."

Mr. WILEY. Yes, that is the word.

Mr. BYRD. That what is done is to cancel the previous tax liability. If everyone continued to live and if every taxpayer continued to earn exactly on the basis on which he was earning when his income taxes were canceled, there would be no loss to the Treasury. But that will not happen.

But I did say—perhaps the Senator from Wisconsin was not in the Chamber at the time when I commenced my remarks—

Mr. WILEY. I was here, and heard all the Senator's remarks.

Mr. BYRD. I gave concrete illustrations whose applicability cannot be denied. I had them checked by the joint committee tax experts and the Treasury experts; and they agree—and when they agree I think they are correct, because usually they do not agree—that the money will be lost. Suppose the taxes for 1942 are canceled. That money is already due the Government; the income upon which it is based has already been earned. The proposal is that the highest tax—either the 1942 or the 1943 tax—shall be paid, and that the lowest tax shall be canceled.

Mr. OVERTON. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. OVERTON. Let us suppose that during a normal year the income of taxpayer A is \$100,000, that in 1942 his income has been \$1,000,000, and that in 1943 it is \$500,000. Will the taxpayer pay a larger tax under the committee plan or under the plan of the Senator from Georgia?

Mr. BYRD. I should prefer to have the Senator from Georgia answer that question; but I assume that the taxpayer would pay a larger tax under the plan of the Senator from Georgia, which cancels 75 percent, as compared to 100 percent.

Mr. OVERTON. I do not agree with the Senator. I should like to have an explanation. Let us assume that the normal income of taxpayer A during the years set forth—

Mr. BYRD. Does the Senator mean during the base years?

Mr. OVERTON. Yes; let us assume that his normal income is \$100,000 or \$50,000 or \$5,000; it does not make much difference about that. Let us assume that in 1942 his income is \$1,000,000, and in 1943 it is \$500,000. Under the committee plan will taxpayer A pay a larger tax in 1943?

Mr. BYRD. That is under the second windfall provision; I did not understand what the Senator meant.

Mr. OVERTON. Let me put the question categorically: Under the amend-

ment proposed by the committee, would not taxpayer A pay a larger tax to the Government than he would pay under the plan of the Senator from Georgia?

Mr. BYRD. That is true. As I understand the Senator's question, the answer is as follows: In the base period, which is the years 1938, 1939, and 1940, if the particular taxpayer had an income of \$100,000, and then later had an income of \$1,000,000, he would pay a tax on \$1,000,000, plus the difference between \$100,000 and \$1,000,000, plus \$10,000.

Mr. OVERTON. That is correct.

Mr. BYRD. Under that provision, the taxes the particular taxpayer would pay would amount to more than his income for that year; but that situation, let me say to the Senator, would apply to only a very small proportion of the taxpayers.

Mr. OVERTON. But the trouble is that that small proportion relates to the profiteers in 1942.

Mr. BYRD. Not necessarily so, let me say to the Senator.

Mr. OVERTON. Why not?

Mr. BYRD. A man who was not in business in 1938, 1939, and 1940, but who in 1942 or 1943 was engaged in some business entirely disconnected from the war, and had an income of \$100,000 in 1942 or 1943, would have practically to double his taxes in 1 year, although he had no war contracts at all.

Mr. OVERTON. Let me observe that that possibility is too remote to appeal to the Senate. We are dealing with the normal cases and the usual cases.

Mr. BYRD. Then, does the Senator think that today everyone who is making more money than he earned in 1938, 1939, and 1940 is making it out of war profits?

Mr. OVERTON. Not necessarily so.

Mr. WILEY. The national income has gone up.

Mr. McFARLAND. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. McFARLAND. Let me ask whether the so-called windfall would not work as a discrimination against certain persons?

Mr. BYRD. It would.

Mr. McFARLAND. For instance, take the case of two college boys. Let us say that when one of them graduates from college he starts playing baseball, and is paid \$20,000 in 1940, and earns the same amount in both 1942 and 1943. Under the so-called Ruml plan, which the committee has endorsed, he would pay a tax of \$7,531. The boy who graduates from college in 1942 and starts earning \$20,000 a year, and earns \$20,000 a year in 1942 and in 1943, would pay to the Government \$12,286. Let me ask the Senator if he thinks such a situation is fair to those two boys?

Mr. BYRD. Mr. President, I think there will be many very unjust discriminations under the second windfall provision proposed by the committee, unless we assume that every dollar of income now earned comes from war profits, because the plan proposed by the committee is based upon the base period of 1938, 1939, and 1940. The difference is taken between that income and the income

canceled, and an additional tax is then assessed. If I thought that procedure would result in an adequate plugging up of the loophole, my opposition to the 100-percent provision, of course, would be greatly lessened, if not entirely eliminated. But it would not have that effect. Instead of that it would create any number of hardships for innocent persons—those who have had or who will have nothing to do with the making of war profits during the war period.

The amount of the forgiveness, abatement, or cancellation, whatever we may choose to call it, under the Ruml plan as reported by the Senate Finance Committee is \$9,800,000,000. The two so-called windfall provisions will recoup this loss to the extent of \$1,300,000,000—\$900,000,000 by the first windfall and \$400,000,000 by the second windfall—leaving a net cancellation of tax liability of \$8,500,000,000.

It is absurd, in my judgment, to believe that this cancellation of taxes will not ultimately result in a loss of revenue to the Federal Treasury.

As has been pointed out, this loss is not compensated by an increase of the taxpayer's estate, because the gain to the taxpayer by the forgiveness of his accrued taxes may have been spent or given away in the meantime. The estate may not be large enough to be taxable, and, in fact, the income-tax rates bear no necessary relation to the estate-tax rates, so that even if the estate is subject to an estate tax, the loss from the cancellation would be only partially recaptured. The same situation can apply as a loss to the Treasury when a taxpayer retires or ceases to make money. If we could all live indefinitely, if our incomes would continue on a regular and steady basis, then the loss would not be significant; but the fact is, of course, that some day every taxpayer will die, and it is very probable that following the war there will be a general reduction of incomes, which will immediately occasion a loss to the Treasury by the cancellation of the accrued liability.

The first windfall provision, which would recoup \$900,000,000, provides that the cancellation of taxes shall be on the lower of the years 1942 and 1943. That is to say, if the 1943 tax is higher than that for 1942, then the lower of the 2 years will be canceled, and the taxes will be paid on the higher year. We must not overlook the fact that to forgive all the 1942 or 1943 income tax would be to cancel one of the highest income taxes in all history. It is not likely that the average citizen of this country will have a higher income than he received during one of those 2 years. That is my personal opinion. Others might differ with me.

It follows that the higher the income tax that is canceled the greater the actual forgiveness is to the taxpayer and the greater the loss to the Treasury.

The second antiwindfall provision in the pending bill would recover to the extent of \$400,000,000, but this antiwindfall provision would be applied in a manner which would work a great hardship and distress upon many classes of citizens engaged in productive nonwar

business. It would not prevent 100-percent forgiveness to couponclippers and others who had a regular and steady income throughout the years 1938, 1939, and 1940, and who would pay nothing on their accrued tax which this legislation will cancel.

This antiwindfall provision provides that a taxpayer can select one of the three years 1938, 1939, or 1940 to be subtracted from the income of 1942 or 1943, and then the taxpayer will be compelled to pay on the difference between the year he selects and the high year of 1942 or 1943. This will be added to his current taxes and will result in many instances in an inequitable increase as compared to other taxpayers who receive complete forgiveness. For example, if the taxpayer had no income or was not engaged in business in one of the years 1938, 1939, or 1940, he would pay a double tax in 1 year less the taxes on a deductible amount of \$10,000. The purpose of this amendment is explained by its advocates as being a provision to collect war profits. There is no Member of the Congress who is more anxious than am I to prevent war profits in the first instance and to collect a full proportion of taxes on such profits; but this provision does not necessarily apply to those who are engaged in work for their Government or who have war contracts for their Government; it applies to all citizens and will result in many discriminations and unjust hardships.

We have legislation now which provides for the renegotiation of war contracts, with arbitrary power on the part of the Army and Navy to reduce the cost of contracts when excessive profits are involved.

As the Ruml plan does not apply to corporations, this provision then is applicable only to individuals, while perhaps 90 or 95 percent of all the war contracts are held by corporations. Therefore, this provision cannot be effective in the reclaiming of war profits.

I want to call attention, Mr. President, to the fact that under the present tax plan, after \$100,000 is earned, the Government takes in taxes at least 90 percent. For example, on a \$500,000 net income, the present tax is \$442,362.58. On a \$1,000,000 income, the present tax is \$900,000. This provision will result in assessing in 1 year taxes in excess of the taxpayer's income.

If a man were retired from business and obtained all his income from business by clipping coupons, and he had a steady income during 1938, 1939, and 1940, the antiwindfall provision would not recover a single cent from him. On the other hand, if a person went into business and happened to make a profit, he would have a tremendous tax imposed on him.

Please understand, Mr. President, that I am not in any way advocating any provision which would not recoup to the fullest measure any excess profits made by war profiteers in this great emergency. However, we already have an income tax which takes \$900,000 out of a \$1,000,000 income, so there cannot be any great war profiteers under that tax. We have enacted legislation to renegotiate contracts,

which I have supported with great pleasure.

I am prepared to support any and all measures which will prevent unjust or unreasonable profits by war profiteers. However, as I see it, this provision would not reach the situation. How can anyone justify this provision when a man of great wealth, who obtains his revenue, as I have said, from investments, is not required to pay a single dollar for the year's tax which is canceled? Because there was no variation in his income during the years 1938, 1939, and 1940, as compared with the year which is canceled, not a single dollar would be recouped from him under this provision.

Mr. President, if the Treasury of the United States were in a sound and affluent condition, if we had unobligated balances in our Treasury, if your debt were nominal, if we were not faced, as we are, with the most colossal expenditures in all history, there would be nothing improper or unwise, perhaps, in extending as a gift to the people of America the cancelation of 1 year's taxes. But our condition today is exactly the reverse. We are engaged in a bitter war, the most costly the world has ever seen. Not only must we arm ourselves and produce munitions of war to an extent never before even contemplated, but we have undertaken obligations, under the lease-lend policy, to produce and furnish unlimited supplies of war matériel to our allies, certainly without any assurance as to immediate repayment, and, in fact, without any assurance of ultimate repayment.

In the coming year the expenditures of the Federal Government for all purposes are estimated to be \$110,000,000,000. The revenue derived from present taxes is estimated to be about \$30,000,000,000. We are therefore paying out of current revenue less than 30 percent of the total expenditures of our Government. Is this any time to forgive, to an extent greater than may be necessary, taxes which have already been accrued to the Government?

Taxes represent a debt owing from the citizen to his Government. On May 10 the Federal debt was, in round figures, \$138,000,000,000. It is my conviction, Mr. President, that before the Budget is again balanced we shall be fortunate indeed if the Federal indebtedness does not exceed the astronomical figure of \$300,000,000,000. I say this because we have unexpended appropriations—that is to say, appropriations which have been made by Congress and not yet disbursed by the departments—of \$120,000,000,000. Congress has appropriated \$120,000,000,000 which is now to the credit of the various agencies of the Government, but unexpended; and day by day we are asked to add to this vast total by making additional appropriations. Day by day we are adding to these unexpended balances so that if we add even to the present debt of one hundred and thirty-eight billions the unexpended balances already appropriated of one hundred and twenty billions, we will have a total of two hundred and fifty-eight billions, less, of course, the taxable revenue.

Many of the appropriation bills included in the Budget presented by the President, which will add greatly to these unexpended balances, have not as yet been acted upon by Congress.

Mr. WILEY. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. MAYBANK in the chair). Does the Senator from Virginia yield to the Senator from Wisconsin?

Mr. BYRD. I yield.

Mr. WILEY. I have understood that the Senator is in favor of the pay-as-you-go plan. If there were no forgiveness, would that mean that the taxpayer would have to pay 2 years' taxes in one?

Mr. BYRD. I am sorry the Senator has not listened to the Senator from Virginia, because I have never made such a suggestion. In response to direct questions, I have said that I am willing to cancel 50 percent of the tax liability because I recognize the fact that it is an advantage to the Government to place the collection of income taxes on a pay-as-you-earn basis. It is of advantage to the Government to have a withholding tax. However, I say that the taxpayers who are benefited by the 100-percent forgiveness should pay a fair share of that benefit into the United States Treasury.

Mr. WILEY. Now will the Senator answer my question? Let us assume that that is not done. I did not mean to irritate the Senator. I think the question was fair.

Mr. BYRD. The Senator does not irritate me at all. The Senator assumed that I favored collecting 2 years' taxes in one. I have never said anything which would suggest that I favor such a course.

Mr. WILEY. I did not say that the Senator had. I assumed that the Senator was in favor of the pay-as-you-go plan. Am I mistaken in that assumption?

Mr. BYRD. I favor the pay-as-you-earn plan.

Mr. WILEY. If the Senator favors the pay-as-you-earn plan, I ask him whether, if there were no cancelation, it would not mean the payment of 2 years' taxes in one?

Mr. BYRD. Of course, that is true, but that is not what I favor.

Mr. WILEY. I am trying to get to the bottom of this question from the standpoint of the taxpayer.

Mr. BYRD. It can be done in one of two ways, as the Senator knows. The Senator has as much intelligence as I have, and perhaps more. It can be done by cancelation or it can be done by paying 2 years' taxes in one or by paying 1 year's taxes in installments. We can go on a pay-as-you-go basis either way. The only question is as to which method we favor.

Mr. WILEY. If the Senator is in favor of canceling 50 percent, then he is in favor of paying 150 percent of the taxes in 1 year.

Mr. BYRD. Not in 1 year.

Mr. WILEY. How would the Senator apportion it?

Mr. BYRD. It could be apportioned over a period of 5 years, or 10 percent a year, or in any way Congress might choose to do it.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. CONNALLY. The Doughton bill, which I propose to offer as a substitute, provides that the 1941 rate shall apply for 1942, and then provides for a 3-year period of payment. The Secretary of the Treasury would be authorized, in hardship cases, to allow 3 years additional, or 6 years in all, to pay it.

Mr. BYRD. Let me say to the Senator that I do not favor collecting all of the uncanceled obligation in 1 year. I favor giving a reasonable time to pay whatever amount is not canceled.

Mr. WILEY. Mr. President, will the Senator further yield?

Mr. BYRD. I yield.

Mr. WILEY. Yesterday there was some argument to the effect that the cancelation would contribute toward runaway inflation, or something like that. I wonder what the Senator's attitude is on that question. Does he believe that if we should pay as much money into the Treasury in 1943 as we would without cancelation, there would be any effect so far as inflation is concerned?

Mr. BYRD. I will say to the Senator that that is not one of the objections which the Senator from Virginia has to the bill. I have no reason to think that it would have any material effect on so-called inflation.

Mr. WILEY. I thank the Senator. I think the atmosphere is being clarified.

Mr. BYRD. I wish to make myself very clear to the Senator. What I contend is that we are attempting to do something for the interest of the taxpayer and for the interest of the Government; it is to their mutual interest. The taxpayer should pay his share in bringing about the situation which we all desire to bring about, and the Government should pay its share. That is the assumption on which I am basing my argument. To me, at least, it is a fair and reasonable assumption.

Suppose two men were negotiating and were trying to reach a conclusion which would be profitable and advantageous to both of them, and one man was asked as in this case, to take all the loss, or pay all the penalty involved, and the other man did not propose to pay anything.

Mr. BANKHEAD. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. BANKHEAD. I am quite interested in the suggestion of the Senator with regard to a reduction of 50 percent in the tax. I am not entirely satisfied with any of the programs which have been suggested thus far. I wonder if the Senator would not be willing to offer an amendment which would carry out the 50-percent reduction.

Mr. BYRD. I will say to the Senator from Alabama that if sufficient support could be had for it I would be glad to offer it. I think it would enable the collection of a withholding tax of 20 percent without any great burden being placed on the taxpayer. Yet it would not relieve completely many people who now have the money with which to pay their taxes.

Mr. BANKHEAD. It would relieve them up to 50 percent.

Mr. BYRD. That is true. It would relieve them up to 50 percent and would in my judgment permit the operation of the withholding tax of 20 percent without any particular hardship on those who have the money with which to pay it.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. JOHNSON of Colorado. The amendment which the Senator from Texas says he will propose is on the basis of approximately 50-50.

Mr. BYRD. Let me add a few more words, Mr. President, about the financial condition. The President of the United States estimates that there will be a Federal indebtedness on July 1, 1944, of \$210,000,000,000. This estimate very probably is too low, so that it is possible and probable that approximately a year from now our net indebtedness, exclusive of certain guaranteed indebtedness owing by the Government corporations will exceed \$225,000,000,000. When this figure is reached, it will not be long before we will have an indebtedness of \$300,000,000,000, and perhaps more. Then we must remember that at the conclusion of the war we cannot expect a balanced Budget for some time thereafter, although it is imperative, in my judgment, that we eliminate every nonessential expenditure, so as to reach at the earliest possible time a balanced Budget, as, otherwise, the solvency of our Nation, as rich as it is, will be seriously threatened.

In the face of these conditions, there has never been a more inappropriate time to cancel the taxes accrued and owing to the Federal Government by those who are able to pay and can pay without undue hardship.

What, apparently, the advocates of the so-called Ruml plan, providing for 100-percent forgiveness, desire is to be placed on a current tax basis and have previous tax liabilities canceled without paying any penalty or any part of the taxes already accrued.

Mr. President, I have given the most careful consideration of which I am capable to this complicated question. I am thoroughly in accord with a pay-as-you-earn basis of tax collection, but I am not in favor of 100-percent forgiveness of the taxes of those who are able to pay.

It is of great benefit and value to the taxpayer to be placed on a current tax collection basis. Those able to pay for this privilege should be compelled to do so.

Many persons seem to think, Mr. President, that the credit of the United States of America is inexhaustible. I am one who believes there is a limit even to the credit of this, the richest nation on earth, and that to impair the solvency of the United States Government is to destroy those principles of government which have given to America greater progress, greater happiness, and greater freedom than any other nation in the world has ever enjoyed. There has never been a

democracy in history that has been able to retain its democratic form of government and its freedoms unless it was able to maintain a solvent government.

Never before has the Government of the United States been so in need of revenue as it is today, and never before have the individual citizens of our country been in a better or more prosperous condition to pay heavy taxes than they are today. In 1942 the national income was \$119,800,000,000, the highest up to that date in our history. The forecast for 1943 is for a national income of \$140,000,000,000. When we compare this to the \$79,000,000,000 income in 1929, which was the highest up to that time, we can form some conclusion as to the general prosperity today, due to the expenditure of war funds in every nook and corner of America. And let us not forget that this prosperity is financed in the main by borrowed money, by adding billions to the public debt for future generations to pay.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. WILEY. I hope the Senator will pardon me, but I am looking for more light.

Mr. BYRD. It is a pleasure to yield to the Senator from Wisconsin.

Mr. WILEY. I have listened quite attentively to the distinguished Senator, and I should like to propound a question, because I believe the answer to it is of importance to the country. I believe the Senator can answer it and clear up a great deal of misunderstanding.

Is it a fact that in the so-called cancellation, or abatement, of taxes no money would be paid back to anyone, and that the taxpayer could benefit only in the year of his death, or in the year when his income became less?

Mr. BYRD. I will say to the distinguished Senator that, generally speaking, he is correct. Of course, nothing would be paid to the taxpayer because we would be canceling a debt. When one cancels a debt which is owing to him, he does not pay the debtor in cash, but merely cancels something which the debtor would otherwise be compelled to pay.

Mr. WILEY. As a matter of fact, in his so-called payments to the Government the taxpayer would receive no benefit so far as his cash, surplus, or otherwise was concerned, until first he reached a period in which his income was less, or his estate would get it when he died. Am I correct in that statement?

Mr. BYRD. Mr. President, I think the Senator must understand that in the taxpayer's financial statement he would receive a benefit because his tax liability, which is a debt, would be canceled. He would not have to include it in his financial statement, for example, because it would have been canceled by the Government.

It is true that it is only by a gradual process that loss to the Government occurs as a result of the cancellation of taxes. I have tried to explain it by saying that the loss would occur in three ways: First, as a result of the death of

some taxpayers; second, as a result of some taxpayer suddenly ceasing to earn; and third, because of a reduced level of income of all taxpayers, which I expect to see during the readjustment period after the war. Those are the ways in which the loss would come to the Treasury.

It is inconceivable to me that if the American people knew all the facts they would be willing, in the face of the great need of the Government for additional revenue, to adopt legislation providing for 100 percent cancellation of tax liability. To do so, Mr. President, as I have said before, in my opinion, would mean that immediately a demand would be made by the President and by the Treasury Department to raise additional revenue by increasing the present tax rates so as to compensate for the loss to the Treasury as a result of the cancellation of the taxes of those able to pay. The increase would necessarily fall heavily on the smaller and middle-class incomes, because in the higher brackets the tax is already reaching the point of diminishing returns.

Mr. President, I am a taxpayer who is willing to pay something in order to get on a pay-as-you-go basis. I am not asking the Federal Government to bear the whole cost of putting taxpayers on such a basis. I am willing to pay my share, and I speak as a businessman, with the return I get from that source in addition to my income as a Senator. I am sure many other citizens feel as I do about this.

In conclusion, Mr. President, I again wish to say that while I am thoroughly in sympathy with the objective which the proposed legislation attempts to achieve, there has never been a more inappropriate time in all our history to cancel taxes owing to the Government by its citizens than now. With a \$300,000,000,000 debt in prospect, which is more than twice as much as the assessed value of all the property in America, and about 75 percent of the total intrinsic value of all the property in America, as estimated by the Department of Commerce, it is certainly the duty of every Member of Congress to do all that may be within his power to avoid increasing the national debt beyond the imperative necessity of doing so.

Let us not forget that if we add to the debt now by canceling taxes at the most prosperous time in our history when the people are most able to pay, we shall be passing the debt on to the future, when conditions cannot be so prosperous as they now are, and we shall add to the difficulties of meeting the financial obligations of the Government during the inevitable period of post-war depression and liquidation which will follow the inflation today occasioned by huge war expenditures.

Mr. President, I have certain tables which I ask unanimous consent to have printed in the RECORD as a part of my remarks.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

TABLE A.—Effect of Ruml-Carlson plan on tax payments—married person, no dependents, income of \$10,000

Year	Net income	Tax payments ²		Balance after tax payments	
		Present law	Ruml plan ¹	Present law	Ruml plan ¹
1939					
1940	\$10,000			\$10,000	\$10,000
1941	10,000	\$528	\$528	9,472	9,472
1942	10,000	1,305	1,305	8,695	8,695
1943	10,000	2,152	2,152	7,848	7,848
1944	10,000	2,152	2,152	7,848	7,848
1945	10,000	2,152		—2,152	
1946					
Total	50,000	8,289	6,137	41,711	43,863

¹ Assuming passage in 1943 of Ruml-Carlson bill canceling 1942 tax.

² Excluding Victory tax.

Treasury Department, Division of Tax Research, May 6, 1943.

Table showing amount of estate-tax liability on specified estates, and increased estate tax on such estates if specified amounts of forgiven 1942 tax are added, together with excess of tax-forgiveness over such increase in estate tax and percent of forgiven tax retained after payment of estate tax

Size of estate		Amount of tax forgiven added to estate	Amount of estate-tax			Excess of tax forgiveness over increase in estate tax	Percent of forgiveness retained
Before tax forgiveness	After tax forgiveness		Before tax forgiveness	After tax forgiveness	Increase in estate tax		
\$20,000	\$25,000	\$5,000				\$5,000	100.0
	30,000	10,000				10,000	100.0
	40,000	20,000				20,000	100.0
	50,000	30,000				30,000	100.0
	60,000	40,000				40,000	100.0
	65,000	5,000		\$150	\$150	4,850	97.0
	70,000	10,000		500	500	9,500	95.0
	80,000	20,000		1,600	1,600	18,400	92.0
	90,000	30,000		3,000	3,000	27,000	90.0
	100,000	40,000		4,800	4,800	35,200	88.0
\$60,000	110,000	50,000		7,000	7,000	43,000	86.0
	120,000	60,000		9,500	9,500	50,500	84.2
	140,000	250,000		65,700	65,700	184,300	73.7
	160,000	500,000		145,700	145,700	354,300	70.9
	120,000	20,000	\$4,800	9,500	4,700	15,300	76.5
	160,000	60,000	4,800	20,700	15,900	44,100	73.5
	310,000	210,000	4,800	65,700	60,900	149,100	71.0
	560,000	460,000	4,800	145,700	140,900	319,100	69.4
	810,000	710,000	4,800	233,200	228,400	481,600	67.8
	1,060,000	960,000	4,800	325,700	320,900	639,100	66.6
\$100,000	1,310,000	1,210,000	4,800	423,200	418,400	791,600	65.4
	810,000	250,000	145,700	233,200	87,500	162,500	65.0
	1,060,000	500,000	145,700	325,700	180,000	320,000	64.0
	1,310,000	750,000	145,700	423,200	277,500	472,500	63.0
	1,560,000	1,000,000	145,700	528,200	382,500	617,500	61.2
	2,060,000	1,500,000	145,700	753,200	607,500	892,500	59.5
	2,560,000	2,000,000	145,700	998,200	852,500	1,147,500	57.4
	3,060,000	2,500,000	145,700	1,263,200	1,117,500	1,382,500	55.3
	1,310,000	250,000	325,700	423,200	97,500	132,500	61.0
	1,560,000	500,000	325,700	528,200	202,500	297,500	59.5
\$1,060,000	2,060,000	1,000,000	325,700	753,200	427,500	572,500	57.3
	2,560,000	1,500,000	325,700	998,200	672,500	827,500	55.2
	3,060,000	2,000,000	325,700	1,263,200	937,500	1,062,500	53.1
	3,560,000	2,500,000	325,700	1,543,200	1,217,500	1,282,500	51.3
	4,060,000	3,000,000	325,700	1,833,200	1,512,500	1,487,500	49.6
	2,560,000	500,000	753,200	998,200	245,000	255,000	51.0
	3,060,000	1,000,000	753,200	1,263,200	510,000	490,000	49.0
	3,560,000	1,500,000	753,200	1,543,200	790,000	710,000	47.3
	4,060,000	2,000,000	753,200	1,833,200	1,085,000	915,000	45.8
	5,060,000	2,500,000	753,200	2,468,200	1,715,000	1,285,000	42.8
\$5,060,000	5,560,000	500,000	2,468,200	2,803,200	335,000	165,000	33.0
	6,060,000	1,000,000	2,468,200	3,138,200	670,000	330,000	33.0
	6,560,000	1,500,000	2,468,200	3,483,200	1,020,000	480,000	32.0
	7,060,000	2,000,000	2,468,200	3,838,200	1,370,000	630,000	31.5
	7,560,000	2,500,000	2,468,200	4,203,200	1,735,000	765,000	30.6
	8,060,000	3,000,000	2,468,200	4,568,200	2,100,000	900,000	30.0
	9,060,000	4,000,000	2,468,200	5,328,200	2,860,000	1,140,000	28.5
	8,560,000	500,000	4,568,200	4,948,200	380,000	120,000	24.0
	9,060,000	1,000,000	4,568,200	5,328,200	760,000	240,000	24.0
	9,560,000	1,500,000	4,568,200	5,708,200	1,140,000	360,000	24.0
\$8,060,000	10,060,000	2,000,000	4,568,200	6,088,200	1,520,000	480,000	24.0
	10,560,000	2,500,000	4,568,200	6,473,200	1,905,000	595,000	23.8
	11,060,000	3,000,000	4,568,200	6,858,200	2,290,000	710,000	23.7
	11,560,000	3,500,000	4,568,200	7,243,200	2,675,000	825,000	23.6
	12,060,000	4,000,000	4,568,200	7,628,200	3,060,000	940,000	23.5

Mr. DAVIS. Mr. President, the consideration and drafting of the proposed income-tax law for this year have represented, probably, the most difficult task with which the Congress and its appropriately designated committees have, as yet, been confronted, for not only are we undertaking to write a fair and equitable

TABLE AA.—Declining income, effect of Ruml-Carlson plan on tax payments—married person, no dependents

Year	Net income	Tax payments ²		Balance after tax payments	
		Present law	Ruml plan ¹	Present law	Ruml plan ¹
1939					
1940	\$10,000			\$10,000	\$10,000
1941	10,000	\$528	\$528	9,472	9,472
1942	10,000	1,305	1,305	8,695	8,695
1943	8,000	2,152	1,532	5,848	6,468
1944	6,000	1,532	992	4,468	5,008
1945				—992	
1946					
Total	44,000	6,509	4,357	37,491	39,643

¹ Assuming passage in 1943 of Ruml-Carlson bill canceling 1942 tax, excluding antiwindfall provisions.

² Excluding Victory tax.

Treasury Department, Division of Tax Research, May 7, 1943.

achieve these ends. It is my belief that the bill approved by the Finance Committee is the most equitable and fair bill that can be devised under the present circumstances.

Mr. President, in 1940 there were 3,896,435 income-tax payers; in 1941 there were 7,437,307; in 1942 there were 16,760,865. On the first day of January 1943, under the Revenue Act of 1942, there were 27,200,000 taxpayers in debt to the Federal Government for taxes on their 1942 income, an increase of 23,300,000 since 1940. In other words, our Government is a creditor to some 27,000,000 taxpayers who are in debt for the taxes on their 1942 income. It is my thought that we cannot afford to continue this shaky system of income-tax collection when we can adopt a pay-as-you-go tax plan without substantial loss of revenue.

THE SOLE OBJECT OF THIS LEGISLATION

It should be kept constantly in mind, Mr. President, in considering this problem that the sole object of the bill before us is to establish a system for the current payment of the individual income tax, usually referred to as collection at the source. The Treasury demands it, and all the evidence indicates that the overwhelming majority of taxpayers, small and large, have both welcomed and demanded collection at the source. Every bill which has been proposed has contained exactly the same system of withholding for this purpose. I think it is proper to reemphasize the need for current payment.

NEED FOR A SOUND CURRENT PAYMENT SYSTEM

Under the present collection system a taxpayer must pay a tax on income a year after it is earned and, in most cases, spent. Under the present high rates, great hardship results where a taxpayer loses his job, retires, enters the armed forces, or dies. For example, if a married taxpayer, without dependents, earned \$2,000 in 1942 and lost his job in 1943 by reason of disability, he would still have to pay a tax debt in 1943 of \$144. If a married person, without dependents, earned \$5,000 in 1942, and died on December 31, 1942, his widow would have to pay in 1943 a tax on her husband's 1942 income of at least \$770.

The large majority of taxpayers are unable to provide in advance for their payment of last year's taxes, and many others find it difficult to do so. Under the high rates necessitated by the war, it has become difficult for a constantly increasing number of taxpayers to meet their tax payments, which results in a hardship on them and loss of revenue to the Government. Many inequities in the present system of collection will be eliminated by providing a system by which taxpayers may pay their taxes in the year in which the income is earned. It will give substantial relief in the cases of hardship referred to under our existing system of collection.

Under our existing law the rates are presumed to be fixed according to the taxpayer's ability to pay in a given year. If a taxpayer is required to pay more than the burden fixed in the law in any one year, assuming the rates to be fair, then he is required to pay more than

revenue-raising measure but we are also attempting to recognize the demands of the people for a sound and necessary system of pay-as-you-earn taxation. In the consideration of this tremendous problem, the Committee on Finance has carefully and fully considered almost every manner of proposal designed to

he is able to pay. This is obviously true as to taxpayers in all brackets. Therefore, it is provided in the Finance Committee bill that the system of collecting at the source shall be put in effect on July 1 by crediting all payments made in the current year 1943 on 1943 income-tax liability. All other methods proposed provide for paying in the current year 1943 and in subsequent years not only the tax of the current year, computed at the rates of the current year, presumed to be fixed as high as the taxpayer is able to pay, but also a part of the tax on a prior year—the year 1942. This increases the taxpayer's burden and violates the ability-to-pay principle, since it requires the taxpayer to pay in 1 year more than the law sets up as his burden.

Mr. President, I ask unanimous consent to insert in the RECORD a table showing how the burden in the current year 1943 is increased under the House bill over the burden imposed by law for 1943.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

SINGLE PERSON—NO DEPENDENTS

Net income before personal exemption	Penalty
\$3,000.....	\$15
\$4,000.....	45
\$5,000.....	95
\$6,000.....	165
\$8,000.....	365
\$10,000.....	645
\$15,000.....	1,695
\$20,000.....	3,195
\$25,000.....	5,055
\$50,000.....	16,490
\$100,000.....	45,820
\$500,000.....	319,795
\$1,000,000.....	664,795
\$5,000,000.....	3,424,795

MARRIED PERSON—NO DEPENDENTS

\$4,000.....	\$24
\$5,000.....	54
\$6,000.....	116
\$8,000.....	288
\$10,000.....	540
\$15,000.....	1,514
\$20,000.....	2,964
\$25,000.....	4,782
\$50,000.....	16,140
\$100,000.....	45,372
\$500,000.....	319,312
\$1,000,000.....	654,312
\$5,000,000.....	3,424,312

MARRIED PERSON—2 DEPENDENTS

\$4,000.....	\$3
\$5,000.....	33
\$6,000.....	67
\$8,000.....	211
\$10,000.....	435
\$15,000.....	1,353
\$20,000.....	2,733
\$25,000.....	4,509
\$50,000.....	15,790
\$100,000.....	44,924
\$500,000.....	318,829
\$1,000,000.....	663,829
\$5,000,000.....	3,423,829

TOTAL BURDEN TO BECOME CURRENT IN 1943
UNDER HOUSE BILL—SINGLE PERSON, NO DEPENDENTS

Net income	Income tax plus gross Victory tax	Penalty	Total
\$3,000.....	\$607	\$15	\$622
\$4,000.....	877	45	922
\$5,000.....	1,167	95	1,262
\$6,000.....	1,476	165	1,641

TOTAL BURDEN TO BECOME CURRENT IN 1943
UNDER HOUSE BILL—SINGLE PERSON, NO DEPENDENTS—Continued

Net income	Income tax plus gross Victory tax	Penalty	Total
\$8,000.....	\$2,155	365	\$2,520
\$10,000.....	2,914	645	3,559
\$15,000.....	5,168	1,695	6,863
\$20,000.....	7,896	3,195	11,091
\$25,000.....	10,984	5,055	16,039
\$50,000.....	28,558	16,490	45,048
\$100,000.....	70,165	45,820	115,985
\$500,000.....	442,363	319,795	762,158
\$1,000,000.....	900,000	664,795	1,564,795
\$5,000,000.....	4,500,000	3,424,795	7,924,795

OBJECTIONS TO THE HOUSE BILL

Mr. DAVIS. Mr. President, the plan of the House bill does not meet this problem for the following reasons:

First. It does not establish a current-payment system, which is the foremost need and the real object of all this proposed legislation.

Second. It adds to the taxpayer's burden in the current year a part of the past year's burden, thus violating the ability-to-pay principle.

Third. By canceling the past year's burden for some taxpayers but not for others, it results in unfairness as between different classes of taxpayers.

Fourth. It sets up a more complicated system of collection and adds to the administrative burden on the Government. Many taxpayers will have to undertake several complicated computations in determining their tax liability. Taxpayers who will have to make double computations year after year contribute about 60 percent of the total individual income tax, and still they will never get on a current basis.

The various partial abatement plans impose what almost constitutes an arbitrary burden on taxpayers to make up for the other collection which obviously should not be made. I say it constitutes an arbitrary burden because it bears little relation to current ability to pay. Before the taxpayers finish paying their overhanging debt under the Ways and Means Committee bill, 4 years will have passed since the income was received.

If we look more carefully at these substitute proposals, we can see that they contradict each other. They attempt to find a fair formula for carrying over a part of the tax debt. The bill approved by the House, and the Ways and Means Committee bill, each endorse the principle of complete forgiveness for some taxpayers and little or none for the big taxpayers. The distinguished chairman of the Finance Committee has introduced a provision for a flat-rate abatement for all classes. If these various proposals are intended to present a principle of fair treatment, they deny each other. If one is true, the other is obviously obnoxious. There is no other principle of fairness except ability to pay. The Finance Committee bill makes the ability principle immediately valid for all taxpayers.

FINANCE COMMITTEE PLAN

The bill reported by the Committee on Finance provides that taxpayers shall pay the tax of 1943 or 1942, whichever is

higher, but it credits all the tax paid to the current year, so that the taxpayer is out of debt to the Government.

Its so-called windfall provisions close the loopholes where a taxpayer had high incomes in 1942 and 1943 out of war profits.

It gages the tax according to the income of the current year, and thus more truly levies tax according to ability to pay.

There has been a great deal of discussion as to whether or not, under this plan, the present taxpayer will be relieved of a year of taxes when his income ceases. That is exactly what will happen. That is why we want to institute a current payment method, to avoid the hardships and loss of revenue that result in such cases.

We must realistically face the issue that to call for full taxation then is to insist upon our pound of flesh. The fact is that ordinarily taxpayers do not put aside a reserve out of which to pay taxes. In welcoming a system of current collection, all have conceded that taxes are a hardship when a taxpayer loses his job, retires, enters the armed forces, or dies.

Now, while I personally, in view of the high cost of living, would like to see more liberal exemptions provided in the pending bill, I am confident that even the most hard-pressed taxpayer will be more than proud to contribute his required share to the financing of the Government in this hour of grave crisis.

Up to this point, then, on both the provision for a pay-as-you-earn system, and upon the tax rates and the 20-percent withholding provision on that part of the income over and above the exemptions, the committee bill is substantially in agreement with all other proposals offered.

We come now to that part of the bill over which most of the controversy now rages, that is, how to handle the matter of the 1942 tax liability. Even on this question, the controversy is not one of principle, but one of degree. The principle of abatement has been universally accepted. It appears in every proposal which has been put forward. The only variance appears in the degree to which the principle of abatement is to be applied. The bill approved in the House calls for a 75-percent abatement, but it leaves a great number of taxpayers on a noncurrent basis. The committee bill, by means of certain windfall provisions, places every taxpayer on a current pay-as-you-earn basis, and yet it entails only an 88-percent abatement.

In the debate which has ensued a serious distortion of the facts has occurred through the introduction and continued use of the word "forgive." I want to make it absolutely clear that under the pending bill nothing is forgiven. Under this bill, no taxpayer will be required to pay less than he would under the old system. Indeed, in many cases, especially in the upper brackets, by reason of the windfall provisions included in the bill, many taxpayers will be required to pay more than would otherwise be the case.

Furthermore, every taxpayer will be required to pay a full income tax every

year until he dies, and a review of vital statistics tables, estate taxes, and other such media will make it absolutely clear that the Government will collect every due dollar over the years. Rather than getting less money, the Government stands to collect more money this year and every year—and moreover to collect it on a regular current basis.

Mr. President, as I voted with the majority of the Senate Finance Committee in reporting the bill; so too, I shall vote for the enactment of the bill. I feel that by the adoption of this particular plan the public interest and the American people will be served in the most effective and representative way possible; for in accordance with the overwhelming desires of the American people, the bill—

First. Places all taxpayers who derive their incomes from wages or salaries on a current pay-as-you-earn basis.

Second. Removes the undemocratic and discriminatory feature of double taxation, which feature would render it virtually impossible for great numbers of American taxpayers ever to become current in meeting their income-tax obligations.

Third. Embodies certain windfall provisions which, buttressed by other existing legislative enactments, will effectively guard against profiteering or the undue enrichment of any citizen during wartime.

Fourth. Makes full and proper provision for the gallant members of our armed forces, by granting them an exemption of \$1,500 over and above the present personal exemptions which are not extended to all other taxpayers by law.

Mr. President, the bill is as fair, impartial, and practical as sincere human effort can make it. I sincerely trust that the principles embodied in the bill will be approved in the tax law which is finally adopted, and that the entire plan will be placed in effective operation by July 1, 1943, in order that the American people and the American Government may have the benefit of a sound pay-as-you-earn fiscal policy, a policy which has long been overdue, and a policy which will greatly ease the burdens which have been occasioned by an economy geared to wartime undertakings and wartime responsibilities.

REVENUE EFFECTS OF COMMITTEE BILL

I am not so concerned at the present time with the amount of tax liability canceled, or the amount of tax collections the Treasury may lose between now and doomsday as a result of the bill. I fail to understand why opponents of 100-percent cancellation speak of the loss to the Treasury of an asset which appears only on the Treasury's books. I think attention should instead be directed to the effect of the bill on Treasury revenues at the present time and during the war years, when additional funds are so sorely needed. I do not believe that the immediate revenue effect of the Senate Finance Committee bill has been fully appreciated. The plain fact, borne out by Treasury estimates which appear on page 15 of the committee's report, is that the Treasury receipts during the fiscal

year beginning July 1, 1944, will, after the bill is enacted, be increased over present law receipts by over \$2,000,000,000. By this bill we shall raise more than 10 percent of the additional \$16,000,000,000 requested by the President. The increases in revenue, of course, are the result of the windfall provisions and the fact that liabilities on higher incomes will be collected sooner than under present law by reason of withholding at the source and current payment.

So long as incomes continue to rise, as no doubt they will rise during the war years, the committee bill will yield more revenue to the Treasury than would the bill passed by the House. This is a very important consideration, which completely overshadows the point that the Treasury may lose a paper asset over the lifetime of all taxpayers. Those who make this point seem to forget the fact that if additional revenue is needed 20 or 30 years hence, it can be provided in the customary manner, through legislative action.

BENEFITS IN POST-WAR PERIOD

We must prepare now for the time when this war will be over. As our war production expands and our Nation increases its Federal expenditures for the prosecution of this war, it becomes ever more necessary to make immediate plans to take care of this income-tax debt. It is estimated that our national income for the fiscal year ending June 30, 1943, may reach \$125,000,000,000. During that period the Federal Government plans to spend about \$90,000,000,000.

When the war ends, Federal spending will drop some \$20,000,000,000 annually. It is estimated that during the present fiscal year 30,000,000 of our citizens will be directly connected with our war effort. Twenty million of them will be employed in war industry, and 10,000,000 will be in the armed forces. No doubt at least 15,000,000 of those so engaged will have to find other work. During this transition period it is reasonable to assume that millions of employable people will be forced to live on their unemployment insurance. This means that their taxes, incurred on a high wage-level, will have to be paid largely from social-security benefits. This year the farmers of our Nation will be the recipients of an abnormal income. Present indications are that it will reach \$15,000,000,000. This is the largest percent of the national income the farmers have ever received. Bountiful harvests and fair prices have brought this about. One must assume that this abnormally high income will not continue. Provision must be made to take care of the income-tax liability of the citizen who will be affected by the post-war transition.

Mr. ELLENDER. Mr. President, at this time I offer an amendment to the pending committee amendment as amended. My amendment, if adopted, would spread the payment of taxes for 1942 over a period of 5 years. The first payment of these deferred taxes would be due on March 15, 1944, and would aggregate one-tenth of the sum due. Every 6 months thereafter, a like amount would become due by the taxpayer, so

that an aggregate of 5 years will be allowed a taxpayer in which to pay and discharge his 1942 tax bill. No interest would be charged on these deferred taxes, unless they taxpayer becomes delinquent. Under my amendment all the tax payments which have been made during 1943 for 1942 taxes would be applied to 1943 taxes. The withholding tax provided for in the bill would not be affected and such sums as may be collected from July 1 to December 31 would likewise be applied to the payment of 1943 taxes.

The PRESIDING OFFICER (Mr. OVERTON in the chair). The amendment will be stated.

The CHIEF CLERK. On page 97, line 12, it is proposed to strike out all of section 6, and to insert in lieu thereof the following:

SEC. 6. Deferment of 1942 liability.

(a) In general: Effective as of September 1, 1943, in the case of the taxable year 1942 of any individual (other than an estate or trust and other than a nonresident alien) the 15th day of the fifteenth month shall be substituted for the 15th day of the third month following the close of such taxable year for the purposes of sections 53 and 56 (a) of the Internal Revenue Code.

(b) Extension of time for payment: At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall extend the time for the payment of the tax for the taxable year 1942 imposed upon any individual (other than an estate or trust and other than a nonresident alien) in which case such tax shall be paid in 10 equal installments, the first of which shall be paid on the 15th day of the third month following the close of the taxable year 1943, and of the remaining installments one shall be paid on the last day of each succeeding 6-month period, except that any installment may be paid prior to the date prescribed for its payment. If any installment is not paid on or before the date on which it is payable, it and the remaining installments shall be paid upon notice and demand from the collector.

(c) Treatment of payments on account of 1942 tax made during the taxable year 1943: Any payment made on account of the tax imposed by chapter 1 of the Internal Revenue Code for the taxable year 1942 upon an individual (other than an estate or trust and other than a nonresident alien) during the taxable year 1943 shall be considered as payment on account of the estimated tax for the taxable year 1943. If any payment on account of the tax imposed by such chapter for the taxable year 1942 is made during the taxable year 1943 pursuant to a joint return made by husband and wife for the taxable year 1942 such payment may be treated as a payment on account of the estimated tax of either the husband or the wife for such taxable year or may be divided between them.

(d) Use of term "taxable year": For the purposes of this section the terms "taxable year 1942", and "taxable year 1943" mean, respectively, the taxable year beginning in 1942 and 1943, respectively.

Mr. BROOKS. Mr. President, in the main I intend to support the committee bill. If 1 year ago today anyone had suggested so radical a change in the collection of taxes as is proposed by this measure his suggestion would have sounded completely out of order. War, however, does many things to nations which are engaged in it.

I think the sudden popularity with which the suggested Ruml-type bill has been received can be traced to a great many origins. I do not believe its popularity lies in the fact that people wish to be forgiven responsibility to their Government. I do not know of a period within my lifetime when I have heard so little complaint on the part of citizens generally with respect to the payment of their taxes as we have heard in the past year. I do not know of a time in the history of this country when its people have responded to their National Government with a more whole-hearted cooperation and desire to defend it with their money and their lives. But there has been a sudden upsurge in the demand for the Ruml type of bill. I think that has come about by reason of the uncertainties of war and the sudden mounting of the tremendous national debt, which confuses the people's thinking, and, if we were to tell the truth, confuses the thinking of ourselves who represent the people.

I do not know anyone who can give me the answer as to how we are going to meet our great national debt eventually, but individually the people of America are anxious to know that their obligation shall be such as to come within their ability to meet it. Because of the uncertainties of the future there has been a sudden popular demand to have a pay-as-you-go plan adopted, so that when the war ends, even if their jobs cease, if they are in the service, if their factories are closed, or no matter what the emergency or the contingency shall be at that time, the citizens of the Nation will not be obligated to the Government to such an extent that they will not be able fully to discharge their obligation. I believe the demand for the pay-as-you-go plan does not arise from a desire to evade obligation. The desire on the part of the people is to have a plan under which they can fulfill their obligation, under which they will not find themselves in such a position that they cannot respond to their obligation to their Government when the time comes to meet it.

Mr. President, I am somewhat uneasy about using large incomes as the reason why we should not adopt the pay-as-you-go plan. The large incomes of this country are not so numerous. I realize that it has been popular in past years to pick out any successful man and hold him up as an evil influence, but if there ever was a time in the history of America when successful men were needed it is now. Never have the successful men of America responded to such a degree as they have in the present war effort. We cannot possibly raise a sufficient number of soldiers, equip them and transport them and put them in the line to meet, man to man, the full numbers of our Axis enemies without the efforts of all our citizens. The only way we can defeat our Axis enemies is by placing superior instruments in the hands of our soldiers who represent us and who fight with the free spirit of America.

From the assembly lines, from the factories, from the great research laboratories of our industrial institu-

tions we have obtained better tanks, better guns, faster-moving and better-equipped planes in the sky. The successful men of America have responded to this demand and need for superior military equipment. Even today, while we are discussing this measure, successful men have left positions with our air lines, communication systems, industrial plants; many of the leaders of industry have responded to their country's call and are wearing the uniform, some of them giving up salaries as high as \$90,000 a year to accept the wages of a soldier in order to help establish the great communication lines which are vital to military victory.

Mr. President, when we celebrate the complete defeat of the Axis troops in Africa, let us not forget that it was accomplished with the help of successful men who left their positions in industry and who, in this war theater, set up our communication lines. Let us not forget that successful men who responded to the Government's call and went into the service, helped make our victory possible. If ever there was a time when we should not ridicule large incomes as being an evil influence, it is now.

Mr. President, I am glad the Senate Finance Committee took the American view and said that every American should be treated equally. This is the time when we need every bit of energy, every bit of bravery, brains, and brawn in America, to carry on our war effort to final victory.

When we talk about the Ruml plan, this is no time to set up an isolated example and say that because of that one case we should not adopt the principle of the plan.

I say again that the desire of the people of the country to have a pay-as-you-go program is not a desire to evade their responsibility or their obligation. It is a desire to have a plan whereby America can measure up to its obligation and can fulfill it.

Mr. CLARK of Missouri. Mr. President, I call up the amendment which I offered yesterday, and which has been printed and lies on the desk.

The PRESIDING OFFICER. The pending question is on agreeing to the amendment of the Senator from Louisiana [Mr. ELLENDER].

Mr. McNARY. Mr. President, there has been no explanation of the amendment.

Mr. GEORGE. Mr. President, the amendment was read at the desk. I hope the Senate will not agree to the amendment; because, as I understand it, it provides for a mere postponement of the payment of a whole year's taxes, with no abatement. That is my interpretation of the amendment as it was read.

Mr. McNARY. Very well.

Mr. WILEY. Mr. President, what is the amendment?

The PRESIDING OFFICER. The amendment will be read again for the information of the Senate.

The CHIEF CLERK. Beginning on page 97, line 12, it is proposed to strike out all of section 6, and insert:

Sec. 6. Deferment of 1942 liability.

(a) In general: Effective as of September 1, 1943, in the case of the taxable year 1942 of

any individual (other than an estate or trust, and other than a nonresident alien) the fifteenth day of the fifteenth month shall be substituted for the fifteenth day of the third month following the close of such taxable year for the purposes of sections 53 and 56 (a) of the Internal Revenue Code.

(b) Extension of time for payment: At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall extend the time for the payment of the tax for the taxable year 1942 imposed upon any individual (other than an estate or trust and other than a nonresident alien) in which case such tax shall be paid in 10 equal installments, the first of which shall be paid on the fifteenth day of the third month following the close of the taxable year 1943, and of the remaining installments one shall be paid on the last day of each succeeding 6-month period, except that any installment may be paid prior to the date prescribed for its payment. If any installment is not paid on or before the date on which it is payable, it and the remaining installments shall be paid upon notice and demand from the collector.

(c) Treatment of payments on account of 1942 tax made during the taxable year 1943: Any payment made on account of the tax imposed by chapter 1 of the Internal Revenue Code for the taxable year 1942 upon an individual (other than an estate or trust and other than a nonresident alien) during the taxable year 1943 shall be considered as payment on account of the estimated tax for the taxable year 1943. If any payment on account of the tax imposed by such chapter for the taxable year 1942 is made during the taxable year 1943 pursuant to a joint return made by husband and wife for the taxable year 1942 such payment may be treated as a payment on account of the estimated tax of either the husband or the wife for such taxable year or may be divided between them.

(d) Use of term "Taxable year."—For the purposes of this section the terms "taxable year 1942" and "taxable year 1943" mean, respectively, the taxable year beginning in 1942 and 1943, respectively.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Louisiana.

Mr. WILEY. Mr. President, may we have an explanation of the amendment?

Mr. ELLENDER. Mr. President, I am opposed to the remission, cancelation, or abatement of any taxes. I think it would be wicked on our part to remit at this time taxes in any form, especially in view of the fact that right now we need every dollar which can be gathered into the Treasury, by taxes or otherwise. Although our taxes are high we have been asked to provide for an additional 16 billions. I do not know what this war will cost, but I am told that before it ends we shall have spent more than it has cost to run our Government from its inception to date, including the expenditures we have made in other wars in which we have been engaged. To cancel now the tax obligations of the taxpayers of the nation would be wrong. We have no right to do so. They are due and should be paid.

Mr. President, the taxes for 1942 are due to our Government to the same extent that any note which any Senator might have signed in favor of a bank, in the past would be due. I do not know whether all Senators have made a study of the various bills and proposals submitted to the House, as well as of the proposals submitted to the Senate in

connection with the so-called Ruml plan, but I do believe that it would be tragic for us to adopt the pending committee proposal or in fact any proposal that would have as its object the cancelation of any taxes.

Mr. President, I shall briefly discuss the various plans and proposals which were offered both in the House and in the Senate—plans which would have the effect of deferring and canceling taxes. The so-called Ways and Means Committee bill reached the floor of the House of Representatives sometime ago and it provided for the payment of the 1942 taxes at the 1941 rate. I am informed that the 1941 rate of taxes is about 10 percent lower than the 1942 rate. Under such a proposal the United States Treasury would lose \$4,672,000,000. When that bill came up for discussion in the House it proved unsatisfactory to those who sought to dig deeper into the Federal Treasury, so a new bill was substituted and passed and sent to the Senate for action. Under the terms of the House bill the normal tax of 6 percent was wiped out, and in addition, 13 percent of the surtaxes was stricken from the 1942 tax bill. As adopted by the House, that bill canceled taxes due in the aggregate of \$7,238,000,000. Think of it, almost \$3,000,000,000 more than the Ways and Means Committee bill would be permitted to remain in the hands of the taxpayers.

That bill, as I have just indicated, was sent to the Senate and referred to the Finance Committee of the Senate. Was that committee satisfied in canceling as much as \$7,238,000,000 of money justly due the Government? It was not, but worked out a scheme whereby the Federal Treasury would actually lose \$9,815,000,000. Think of that, Senators. As I understand the pending measure, which is a substitute for the House bill, the whole tax bill of 1942 or 1943 of a taxpayer would be canceled, whichever is the lower.

The distinguished Senator from Georgia [Mr. GEORGE] will propose an amendment to permit a 75 percent cancelation instead of the 100 percent permitted under the pending bill. Under the George amendment, the taxpayers would save and the Government would lose \$7,361,000,000.

Now let us inquire how the savings to taxpayers would be distributed among them. We find that under the House version, which seeks to reduce taxes by eliminating the 6-percent normal tax and 13 percent of the surtaxes, as I have heretofore indicated, a person receiving a \$2,000 income would effect a saving of \$140.

Under the Ways and Means Committee bill the saving would be \$100. Under the George amendment the saving would be \$105; and under the Senate Finance Committee bill the saving would be \$140.

On a \$5,000 income the saving under the House bill would be \$691, under the Ways and Means Committee bill it would be \$388, under the George amendment \$560, and under the pending bill \$746.

On a \$10,000 income the saving under the House bill would be \$1,614, under the Ways and Means bill it would amount

to \$860, under the George amendment it would aggregate \$1,614, and under the bill under discussion it would be \$2,152.

It will be noted that as to all those taxpayers with an income of \$5,000 or lower, as well as to those with an income not exceeding \$10,000, the differences in saving to the taxpayers under the various measures are not great. But, Mr. President, when we come to the larger taxpayer, the taxpayer with an income of \$100,000, or \$1,000,000, we have a different picture. Under the House bill the saving would be \$189,750 to the taxpayer whose income was \$1,000,000; under the Ways and Means Committee bill—that is, the one which was defeated and for which the House bill was substituted—the saving would be only \$121,126; but if we should adopt the pending bill the saving to a taxpayer with a \$1,000,000 income would be \$854,000. Think of that Senators, \$854,000 now due the Government could be retained by a taxpayer whose income was \$1,000,000 in 1942 if the pending bill were adopted. It is unconscionable and I am certain will not sit well with the American people.

In the future all these savings will have to be recouped in some way and more taxes added. We shall have to get the money from some source. As has been demonstrated by a number of Senators, we have almost reached the point of saturation in the case of persons with large incomes. We cannot tax them much more than we have taxed them in the past. Their tax burden today amounts to from 85 to 87 percent, as I recall the figures. Therefore, any losses which would be suffered by reason of enactment of the pending bill would have to be recouped in some way; and the persons who would have to pay those losses would be those in the lower income brackets. We cannot escape that conclusion, Mr. President. I think it would be unwise, unjust, and indefensible for the Senate to vote at this time to forego any taxes.

Mr. President, the pending amendment is very simple. It would not abate or cancel any taxes. It would not change the tendency to put all taxpayers on a pay-as-you-go basis. All money which has been paid by taxpayers for the payment of 1942 taxes would be applied to the 1943 tax indebtedness. In other words, all installments paid on March 15, 1943, for the 1942 taxes, as well as the installments which will be paid on June 15, would be applied to the 1943 taxes; and the 20 percent which would be collected from taxpayers from July 1 to December 31 would likewise be applied to the 1943 taxes.

Under my amendment, the 1942 tax bill would be divided into 10 equal payments. The first payment would be made on March 15, 1944, and succeeding payments of one-tenth of the 1942 tax bill would be made every 6 months thereafter. Thus the entire 1942 tax bill would be discharged by the taxpayer in 5 years, by the payment of 10 installments. The taxpayer would not pay interest on the deferred 1942 tax bill.

The adoption of this simple amendment would mean that the Treasury of

the United States would receive the \$9,815,000,000 which the pending bill proposes to give to the taxpayers.

Mr. O'DANIEL. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. O'DANIEL. Does the Senator's proposal contemplate that the Government would receive interest on the deferred payments?

Mr. ELLENDER. Not one penny.

Mr. O'DANIEL. On what theory would that credit be extended without interest?

Mr. ELLENDER. It was my purpose to make the plan attractive and to avoid imposing interest charges on the taxpayer. I feel that that provision is fair, and it probably will make the bill more acceptable to the Senate.

Mr. O'DANIEL. Does not the Senator believe that there would be more inducement for the taxpayer to pay if interest were accruing?

Mr. ELLENDER. There is a provision in the amendment to the effect that if the first installment, or any installment thereafter, is not paid promptly, the remaining installments will become payable immediately. I think that is sufficient inducement to encourage taxpayers to keep their payments current.

Mr. O'DANIEL. With interest?

Mr. ELLENDER. Interest would be charged on the indebtedness if the taxpayer fails to pay on time. The interest charge would commence as of the date of default. In other words, so long as a taxpayer pays his installments on the 15th of March and the 15th of September of each year for the next 5 years, beginning March 15, 1944, he will pay no interest at all. He will simply pay the face amount of his 1942 taxes. However, should he fail to pay the first installment, the second installment, or the third installment, then whatever installments remain after the first default would become due. Briefly, the remaining unpaid sum would become due, with interest from date of default.

Mr. President, I believe that the adoption of this amendment would solve the problem of putting the taxpayers of this country on a pay-as-you-go basis. Let us not make a \$9,815,000,000 gift to the taxpayers. Those whom the pending bill proposes to help are well able to bear the burden. As I said a moment ago, any tax funds that are abated now will be sorely needed in the near future, and the taxpayers who will have to pay those taxes in the future will undoubtedly be those less able to bear them at that time.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Louisiana [Mr. ELLENDER] to the committee amendment, as amended.

Mr. GEORGE. Mr. President, if there is to be no further discussion of this amendment, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	George	Overton
Austin	Gerry	Pepper
Bailey	Gillette	Radclyffe
Ball	Green	Reed
Bankhead	Guffey	Revercomb
Barbour	Gurney	Reynolds
Bilbo	Hatch	Robertson
Bone	Hawkes	Russell
Brewster	Hayden	Scruggam
Bridges	Hill	Shipstead
Brooks	Holman	Stewart
Buck	Johnson, Colo.	Taft
Burton	Kilgore	Thomas, Idaho
Bushfield	La Follette	Thomas, Okla.
Butler	Langer	Thomas, Utah
Byrd	Lodge	Tobey
Capper	Lucas	Tunnell
Caraway	McClellan	Tydings
Chandler	McFarland	Vandenberg
Chavez	McNary	Van Nuys
Clark, Idaho	Maloney	Wagner
Clark, Mo.	Maybank	Walsh
Connally	Mead	Wheeler
Danaher	Millikin	Wherry
Davis	Moore	White
Downey	Murdock	Wiley
Eastland	Murray	Wilson
Ellender	Nye	
Ferguson	O'Daniel	

The PRESIDING OFFICER (Mr. McFARLAND in the chair). Eighty-five Senators having answered to their names, a quorum is present.

The question is on agreeing to the amendment proposed by the junior Senator from Louisiana [Mr. ELLENDER] to the amendment of the committee, as amended.

Mr. GEORGE. Mr. President, I do not care to discuss the amendment at any great length. The distinguished Senator from Louisiana is merely proposing to vote to postpone the 1942 tax for a period of 5 years. That, of course, might really amount to an abatement. Undoubtedly, it would amount to an abatement in a great many brackets, and on the part of a great many taxpayers, if the tax should be postponed for such a great length of time without bond or security or some safeguard to the revenue.

I believe the time has passed when we can contemplate getting on a pay-as-you-go basis without some abatement of the tax liability for the past year. I wish to make a brief statement at this time before the vote upon the amendment is taken.

We seem to be greatly confused about the Government losing something. It is said that the Government will lose a part of the taxes which have already been levied. Mr. President, I believe we are simply thinking in circles when we think that the Government is going to lose anything by what it does with its taxing system in order to make it a better system. The Government has the power at any time, any year, to levy additional taxes to make up for something it may imagine it has lost or something it never had.

We are not dealing with the relation between creditor and debtor. We are thinking around and around, in circles. The question is, What is a sound tax system for the American people? How can it be accomplished? If we can adopt a better taxing system for the American people, then it is mere child's play to talk about what the Government is going to lose, when the Government has the power, if the sentiment of the country will sustain it, to take every cent of income which every taxpayer makes now, and throughout the coming time.

So, Mr. President, as I see it, it is a question of getting on a sound basis. A pay-as-you-earn tax system is not a system which is one-sided by any means, that is, all for the benefit of the taxpayer or all for the benefit of the Government.

Let me ask candidly and frankly, How are we to collect taxes from 30,000,000 people who are working at high wages and who may be here today and gone tomorrow unless we collect them at the source?

Is it not fair that they pay a reasonable tax, a proportionate tax, based upon our progressive income-tax law?

Not only that, Mr. President, but how or why should we collect the tax from the soldier boy who has gone into the service and is now receiving from his Government less than his personal exemption on his income in 1942, which may have been as high as ten or fifteen or twenty or thirty thousand dollars?

The Government of the United States has not lost much money as the result of tax defaults over a long period of time, but the Government of the United States never before, in all its history, taxed 44,000,000 American citizens, and any official of the Treasury Department who does not know that under these conditions tax defaults will result in a constantly rising volume of losses, is not realistic.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. GEORGE. I am glad to yield to the Senator from Louisiana.

Mr. ELLENDER. I am wondering how the pending amendment would affect the question the Senator is discussing. If my amendment were adopted the bill would remain as it is written; the 20 percent would be collected commencing July 1, and the only effect of my amendment would be to do away with the abatement of taxes, and simply defer the 1942 taxes, so that payment of them would be made in 10 equal installments beginning on March 15, 1944, and extending over a period of 5 years.

Mr. GEORGE. I understand the Senator's amendment, and I think my remarks are pertinent to it; I express the hope that they are. What I am saying, Mr. President, is that with the high rate of taxes now imposed we cannot expect to double up for anything like 100 percent of the tax liability of any year.

Today my distinguished friend from Virginia [Mr. BYRD] referred to the present as being the highest income-producing period in our history, and that any forgiveness or abatement at this time would result in the remission of tremendously large sums of money which may not again be available to the Treasury. In great part, I agree with my distinguished friend in his discussion and in his conclusions, but the very reason why it is necessary to go on a pay-as-you-go basis, to relate tax payments to the year of income, and let them go up and down together, is because of the high tax rates. If there were low rates nobody would worry about this problem; it would not then be a problem; but, Mr. President, now it is a problem when

44,000,000 people must pay income taxes; it is a problem when 30,000,000 of those taxpayers must pay currently as they earn, for they cannot pay after they have spent their incomes. If the Government were realistic, it would see that picture; it would face it frankly. We need now once and for all to go to a sound taxation system, and there is no sound taxing system that does not gear the tax liability to current income, so that when income goes up taxes, of course, go up, and when income shoots down, the people are saved from almost wholesale bankruptcy only because when their income goes down their taxes necessarily go down.

Leave the present system, Senators, if you want to do so; refuse to face the facts as they really are. Let these high taxes remain where they now are, let this war suddenly end, let incomes drop, and the man with a very moderate income will owe a back year's tax which he may not be able to pay out of his actual total income for as much as 2 or 3 years. Let those people who cannot pay become permanently in the debtor class, and large numbers of them will be unable to meet their tax payments. Some say, let the Government take the loss then, and it could take it from year to year, but that is not a good condition in which to put the people; it is not wise to put the people in the status of debtors who can never pay their honest debts to their Government.

Mr. President and Senators, this is not a trifling program devised by some shrewd politician. The Government of the United States ought to adopt a system that will tie irrevocably income and tax liability together, so that they go up and down together. The Government of the United States can do it.

Forgiving! What does it amount to when the Government can in any one year impose any tax on its people that it wants to impose? This is not a question of debtor and creditor. If, as a creditor, the Senator from Alabama forgives me something, he cannot make me pay it next year unless I become indebted to him again. In the narrow, technical sense only, is there the relationship of debtor and creditor between the Government of the United States and the taxpayer, because the Government has the absolute power to change, modify, shift, or increase its tax rates so as to meet its necessities.

I am not worrying about the Government losing anything. The only question is, is it desirable to get on a pay-as-you-go basis? Is it desirable to change the taxing system so that the people will not be 1 year behind in their debt to the Government?

A soldier who may be in the Solomons today, perhaps, in 1942 earned fifteen or twenty thousand dollars and owes four or five thousand dollars to his Government in taxes. He is out there now as a private and can never pay that debt. Suppose the case of a soldier on one of the South Pacific islands who has a little home back here, just a meager place, a shelter for his wife and his baby; who has got to go down and dicker with the tax collector

and try to save the little home because his 1942 taxes would wipe it off the face of the map as clean as if a Texas cyclone struck it. Is that right? Can we put our taxpayers on a current basis without any damage and injury to the Government? If so, is it not wise to do it?

I am not proposing that we forgive all the tax of 1942, for I do not think it is wise to do so; I do not think that the business people of this country, when they think of it, will believe it is wise to do so.

I think that at least 25 percent of the 1942 liability can be carried over to March 15, 1944, and March 15, 1945. That would result in an increased burden on the taxpayer immediately, it is true, but if there ever was a time when the Government should get as much cash out of current earnings as possible, both to meet obligations of the Government and to check, so far as we can, the rapidly rising price spiral in this country, now is that time.

My distinguished friend, the Senator from Virginia [Mr. BYRD], said that 50 percent should be collected. If that can be done, and the one desirable thing realized, to wit, putting the taxpayer on a current paying basis as his liability arises, then it should be done. I confess that my own study leads me to the conclusion that our taxpayers can stand the additional 25 percent, spread over 2 years, but I do not think they can stand the additional 100 percent over 2 or 3, or even 5 years, as the Senator from Louisiana has suggested.

Therefore I oppose the amendment, Mr. President, and I earnestly hope that the Senate, without regard to any commitments, will try to approach the subject in a businesslike way, and if it is desirable to adopt a different system of collecting our Federal income taxes, let us do so now, when we have the opportunity.

There will be no loss to the Treasury insofar as collections are concerned, so long as incomes continue to rise. There cannot be. The actual dollars and cents which go into the Treasury from rising incomes will be larger in 1943 than they were in 1942, and they will be larger in 1944 than in 1943. Of course, our national income will fluctuate, but there cannot in any sense, as I see it, be any situation over a long period where there will be a loss to the Treasury.

When I say that I do not think we should abate the whole amount of the taxes, I mean that my judgment is that the proposal is so advantageous to both the taxpayer and the Government that the taxpayer should be willing to do as much as he can, if the Government needs the money, and we undoubtedly will realize a larger return in 1943 than if we remained under the present system of paying taxes on income a year after it has been earned.

Tax liability to the Government does not arise out of contract but under operation of law, and the Treasury is on a cash basis and counts its collections from revenue only as they come in. There is a vast difference, so far as citizens are concerned, between liability for the tax

and the tax in the form of cash in the Treasury.

Senators, let us not deceive ourselves. The day will probably come at the end of the war period, unless we can somehow constantly advance our national income without any serious letdown, when, out of 44,000,000 taxpayers, the Government will fail to collect many taxes—many because American taxpayers will be unable to meet their tax payments—and it is never good policy on the part of government to bankrupt its taxpayers—to bankrupt its own customers and supporters.

Mr. President, that hour will come unless now, in this period of rising income, when we will not reduce the cash flowing into the Treasury, we go as far as we can, and make certain that our taxing program makes the taxpayer current so that out of his daily and weekly and monthly earnings he can pay daily, weekly, or monthly his obligations to his Government.

That is what this bill will do, if put into operation. It will make 30,000,000 of the 44,000,000 taxpayers current by means of withholding, and it will make the remaining 14,000,000 current by estimating the annual income and paying it within the year. That is the proposal.

I would not hesitate to abate 100 percent of the tax if I believed it was necessary in order to put the American taxpayer on a current basis with his Government, and I would do so under the firm conviction that that was the best course for the Government to pursue, and was certainly the best course for the taxpayer, if the Government should follow it.

Mr. BANKHEAD. Mr. President, I should like to ask the Senator a question.

Mr. GEORGE. I shall be glad to answer it if I can.

Mr. BANKHEAD. I am in very general accord with the philosophy and objectives expressed by the able chairman of the Committee on Finance, the senior Senator from Georgia [Mr. GEORGE]. My difficulty is in knowing how to apply his reasoning. I have had a great deal of difficulty in ascertaining what the various proposals and amendments mean.

We know the taxpayers are divided into many classes and groups, dependent upon the amount of their incomes. There is a provision in the bill under which we would take 1942 or 1943 as the year for which taxes were to be collected, dependent upon which year's income was the largest, and of course that would shift the result very materially.

The Senator spoke of the bill and the beneficial effect it would have. I assume he is referring to the committee bill.

Mr. GEORGE. I said I did not think it was necessary to go as far as the committee bill goes.

Mr. BANKHEAD. I am not sure what the Senator had in mind, and I am anxious to know, because he is aware of my confidence in him and in his judgment.

Mr. GEORGE. I am speaking of the committee bill so far as it relates to the method of collecting the current taxes.

Mr. BANKHEAD. But as to the amount of the abatement, the Senator is not giving it his approval?

Mr. GEORGE. No; I have offered a substitute for it, because I do not think it is necessary to abate all the 1942 tax.

Mr. BANKHEAD. I desire to ask the Senator specifically about his amendment, or substitute. I shall not read it all; I do not understand it all, because there are so many references in the amendment to sections which are not printed in it. Some are made parts of the amendment, some are taken out of some other bill, and it would certainly take an expert, exercising a great deal of care and study, to know exactly what it means, and as one who is not a tax expert, as I am not, I frankly confess I have been unable to determine just what effect the Senator's amendment would have. I have asked some of the experts about it, but I do not find exact uniformity of opinion among them.

Mr. GEORGE. The amendment amends section 6 of the bill the committee reported, and it is technical, of course.

Mr. BANKHEAD. It is technical, and so many provisions are adopted or eliminated merely by reference, without setting them out, that I am asking the Senator for information in good faith.

The amendment provides in the first paragraph that the taxes under a certain chapter "for the taxable year 1942 shall be increased by an amount equal to 25 percent of the tax for the taxable year 1942." I do not understand exactly how an increase of 25 percent in the tax constitutes an equivalent abatement or reduction of the tax liability for the taxpayer. It seems to provide an increase rather than a deduction. Frankly, I want some deduction. I agree with the Senator's philosophy.

Mr. GEORGE. I may say to my friend, the Senator from Alabama, that it is an amendment to section 6 of the committee bill. The part of the section which is not amended discharges or abates the 1942 liability. But if the 1942 liability is larger than the 1943 liability, the effect of the amendment is to require the taxpayer to pay the tax for the larger year, and add 25 percent of the tax for the lesser year, the year 1943.

My amendment is intended—and this is the English of it—to abate 75 percent of the tax for 1942 or 1943 income, whichever is the lowest; in other words, collecting the tax for the highest year, and also to add to the year in which the tax is collected, 25 percent of the tax for the lesser year. This 25 percent additional amount will be paid in two installments of 12½ percent each, the first payable on March 15, 1944, and the second on March 15, 1945.

Mr. BANKHEAD. I will call the Senator's attention to this provision on page 1 of his amendment. The provision does not specify that the year in which the tax is abated shall be the year of the lowest income—that may be provided somewhere else in the amendment—but, on the contrary, the amendment itself provides that 25 percent of the tax for the taxable year 1942 shall be abated.

Mr. GEORGE. The amendment does say that, because 1942 is the year in which it is technically abated. It is abated, however, by technical provisions which make it look, in many instances, as though certain additions are being made to the 1943 year so as actually to bring the 1943 year up to what the 1942 year would be if the 1942 year were the higher of the two years. That language is fitted into this amendment.

The liability of any individual (other than an estate)—

And so forth—

for the tax imposed by such chapter for the taxable year 1942 shall be discharged as of September 1, 1943.

That provision is left in the bill and is not changed by my amendment. That is the first antiwindfall provision of the committee bill. I am sorry that the matter has to be so technical, but the effect is clear. It is intended to abate the lower of either the year 1942 or 1943 and add 25 percent of the abated tax to the year in which collection is made, and to retain the windfall provision.

Mr. BANKHEAD. That would be, as the Senator says, to add 25 percent to the other year?

Mr. GEORGE. Yes.

Mr. BANKHEAD. And pay it all this year? Provision is made for payment of last year's tax in four installments. Is some change now proposed to be made?

Mr. GEORGE. No; the amendment provides that the 25 percent is to be paid in two parts, 12½ percent of it to be paid March 15, 1944, and 12½ percent added to the tax liability March 15, 1945.

Mr. BANKHEAD. Then the effect of that would be to increase by approximately 25 percent the amount of taxes to be paid this year?

Mr. GEORGE. It is to be paid in 2 years. The payment is due this year, but 12½ percent is to be paid in each of the years 1944 and 1945, when the actual payments are to be made.

Mr. LUCAS. Mr. President, will the Senator yield for a question?

Mr. GEORGE. I yield.

Mr. LUCAS. I am certain that I understand the amendment which has been offered by the Senator from Georgia, but I should like to cite an actual example to see whether I am correct. Let us say that I had a tax assessment of \$800 in 1942 and one of \$1,000 in 1943. As I understand the Senator's amendment, I would be obliged to pay the larger of the two this year, 1943, or \$1,000.

Mr. GEORGE. That is correct.

Mr. LUCAS. And then, in addition to that, I would pay a 25-percent additional tax on the \$1,000.

Mr. GEORGE. On the \$800.

Mr. LUCAS. On the \$800; yes.

Mr. GEORGE. Yes; that is correct.

Mr. LUCAS. And that would be paid over a period of 2 years beginning March 1, 1944.

Mr. GEORGE. One hundred dollars each year in that particular case; that is correct.

Mr. OVERTON. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. OVERTON. Does the Senator's amendment retain the provision contained in the committee amendment with respect to making the calculations based on the normal year?

Mr. GEORGE. No. That is the second windfall provision. I did not think it necessary to retain the second windfall provision which will operate very harshly in special cases, and in view of the fact that 25 percent of the tax for the abated year would have to be paid.

Mr. OVERTON. Sometimes we can understand an illustration better than an argument, especially when it comes to revenue legislation. I should like to propound to the Senator from Georgia the question I asked and the example I gave to the Senator from Virginia [Mr. BYRD] when he was making his very able presentation. Let us suppose that the taxpayer had, during the normal base year, 1938, 1939, or 1940, \$1,000 income, and that in 1942 he had \$1,000,000 income, and in 1943 he had \$500,000 income. Would he pay more under the amendment of the Senator from Georgia or under the committee amendment?

Mr. GEORGE. He would pay more under the committee amendment in that case. That is an extreme case.

Mr. OVERTON. It was merely an off-hand example.

Mr. GEORGE. It is an extreme example. Let me say that while we often look to individual cases to determine the effect of a tax, I always try—I may be wrong about it, but it seems to me it is the only sound way—to look to the general and total effect of the tax on all the taxpayers. Specific instances can be picked out under which the second antiwindfall provision in the committee bill to which the Senator is referring, will operate most harshly and unfairly against the taxpayer. That is no reason why in any particular instance the remedy should be withheld, because in a particular instance, some taxpayer might receive too much relief.

My own feeling with respect to the second windfall provision is that it will operate rather cruelly in a great many cases, and that since the taxpayer is called upon to pay a portion—let us say 25 percent, as I have suggested—of the abated year's liability anyway, the first windfall provision is all that is necessary, with, of course, the same provision in the committee bill providing relief for members of the armed forces.

Mr. OVERTON. I was going to make the observation that the example I gave was purely an offhand one, and was made without any reflection. I do not like to ask the Senator from Georgia to institute a comparison between the product of his own thought and that of the action of the committee; but what I have in mind and what concerns me is this: I remember that when about a year ago we had under consideration the question of renegotiation of contracts the able senior Senator from Georgia stated that the way to reach the war profiteers was through taxation; that so far as he was concerned, he intended to reach the war profiteers through taxation; and I think he said they could be taxed up to 90 percent of the profits they made.

In giving my illustration and in asking for a specific answer whether the amendment of the Senator from Georgia, as compared with the amendment proposed by the Senate committee, would favor such individuals, what I wish to know is simply this: Boiled down, would the committee amendment deal more harshly with war profiteers than would the amendment of the Senator from Georgia; or is the Senator from Georgia in a position to institute a comparison between the two?

Mr. GEORGE. It would not deal more harshly with the war profiteer as a war profiteer. It would deal harshly so far as certain results to many taxpayers who are not war profiteers are concerned. But much of the abnormality of income might have been due to the war, and much of it might not have been due to the war.

Mr. OVERTON. I have in mind the persons who have made abnormal profits since our entrance into the war. Would the committee amendment obtain more taxes from persons who have made such tremendous profits?

Mr. GEORGE. The arbitrary selection of the years 1938, 1939, or 1940 may not be a proper measure for determining normal profits. We fixed a definite period in the corporate excess-profits tax, but we had to provide relief for the hard cases.

It seems to me that if we take the higher of 1942 or 1943, plus 25 percent of the tax for the other year, we will fairly well reach the cases of war profiteers.

The individual tax rates also run very high. They run up to 88 percent, without including the Victory tax. A 90-percent ceiling has been imposed on the individual income taxes; but for a \$250,000 income, the law would result in taking away from the taxpayer approximately \$207,857.69 out of his \$250,000 income.

Mr. DANAHER. Mr. President, will the Senator yield to me?

Mr. OVERTON. The Senator from Georgia has the floor.

Mr. GEORGE. If we take the case of a man who had a \$1,000,000 income from bonds in 1938, 1939, and 1940, and who had such an income up to this very date, the comparison would be in favor of another version, rather than in favor of the committee version; but that is not the final test of the matter, it seems to me.

Let us take another situation—that of a man who died in 1940. Let us assume that, following his death, large income-producing property was turned over to his orphaned children. Let us assume that in 1938, 1939, and 1940 they had no income whatever. Under the committee proposal, a very serious hurt would be inflicted upon those children, although there was no connection whatsoever between their income and wartime activities, and although there had been, in fact, no creation of new property, but merely the transfer of the property to persons who, until the year 1942, had been nontaxpayers.

In the particular case the Senator first suggested the tax would be most substantial under either proposal, but in

that instance there might be a slight difference in favor of the committee bill.

Mr. OVERTON. I thank the Senator.

Mr. DANAHER. Mr. President, will the Senator yield to me?

Mr. GEORGE. I yield.

Mr. DANAHER. I wish to ask the Senator from Georgia in elaboration upon his reply to the Senator from Louisiana, if it would not be fair to say that the second windfall tax provided for in the committee amendment would adhere only in cases in which the income of the taxpayer increased by \$10,000 of net taxable income over the income in the base years.

Mr. GEORGE. That is true; yes.

Mr. DANAHER. That is a correct statement, let me say to the Senator from Louisiana, as the Senator from Georgia frankly concedes.

Mr. GEORGE. Yes.

Mr. DANAHER. I think I am also correct in saying that the Treasury expects an added yield from that increase, under the second windfall provision, of approximately \$400,000,000 of additional taxes.

Mr. GEORGE. That is true, but it would be most inequitably distributed; and the Senator will live to see that happen if the second windfall provision ever goes into effect. It would be most cruelly applied in many cases.

The first windfall provision would raise approximately \$900,000,000 and would do so, I think, on a fairly equitable basis.

Mr. DANAHER. Mr. President, will the Senator from Georgia yield further to me?

Mr. GEORGE. I yield.

Mr. DANAHER. As I read the Senator's amendment lying on our desks, it seems to me it would increase the taxes to be collected in 1943 by 25 percent of the taxes which would have been collected on the 1942 incomes; is that correct?

Mr. GEORGE. That is correct, with this modification: The lesser year is abated, and 25 percent of the abated year's tax is added to the tax for the higher year.

Mr. DANAHER. Then, to give application to a specific case, in further answer to the Senator from Louisiana, under the committee's second windfall program, in the case of a taxpayer earning \$100,000 of net taxable income in 1943, the increase in the tax would be \$57,640, which would be added to his tax liability, but which might be paid over a period of 4 years, with 4-percent interest on each annual installment.

Under the language of the amendment proposed by the Senator from Georgia, the 1943 tax liability would be increased by \$9,565, which would be payable in two installments of 50 percent each. Is that not correct?

Mr. GEORGE. I have not done any figuring upon the particular examples; I was simply answering according to my best information, based upon the statement made by the Senator from Louisiana.

Mr. DANAHER. Yes. I think the Senator from Georgia will find that the figures are correct.

Mr. GEORGE. I have no doubt about that, but under the second windfall provision, I can produce innumerable examples which would amount to the crucifixion of persons who would not have had any increase in income arising as a result of the war.

Mr. DANAHER. I thank the Senator.

Mr. BANKHEAD. Mr. President, I should like to ask the Senator another question. Mention has previously been made that the windfall provisions are included in order to prevent abnormal profits and that the windfall provisions would apply to abnormal profits a higher rate of taxation than that which ordinarily would be applied. I am wondering if that would not work an injustice in cases in which the substantially peacetime income, let us say, had no relation whatever to war profiteering.

Mr. GEORGE. I think it would, because, after all, it is from the figures that we obtain the final result, and whether they arise because of war activity or whether they are wholly dissociated from war activity the result to the taxpayer is the same. I think that is quite true, and I think that is especially true in all cases of inheritance, or the taking over by bequest of income-producing property, and in many hundreds, or even thousands, of cases in which deferred salaries have already been paid in 1942, under pension systems or under agreements with the employer.

Mr. BANKHEAD. Does the Senator think it is fair to apply the same high rate to a windfall resulting from an increase in income which comes about in the normal way as would apply to increases which come about as a result of war profits? That is the point I had in mind. Is it fair to apply the same increase in rates?

Mr. GEORGE. That would be the effect.

Mr. BANKHEAD. That would be the effect; but would it be fair to do it?

Mr. GEORGE. No; I do not think it would be fair to do it.

Mr. BONE. Mr. President, I have listened with a great deal of interest to the statement of the Senator from Louisiana [Mr. ELLENDER]. His amendment to the pending bill has not been printed and does not lie on our desks. I think it would be rather unfortunate, with the somewhat sparse attendance of the Senate at the moment, to vote on that amendment this afternoon.

In view of the statement of the able Senator from Georgia [Mr. GEORGE] about our armed forces being affected by the collection of taxes, I should like to ask the Senator from Louisiana what provision his amendment—which we cannot read in detail—would make respecting soldiers. Perhaps I can put it a little more clearly by asking if his amendment would in anywise affect the question to which the Senator from Georgia referred, of deferring or abating taxes on the members of our armed forces.

Mr. ELLENDER. Let me state to the Senator from Washington that section 7 of the bill provides for an additional allowance for members of the armed forces.

Section 7 (a) provides an exemption. It reads as follows:

(a) In general: Section 22 (b) (13) of the Internal Revenue Code (relating to additional allowance for military and naval personnel in computing net income) is amended to read as follows:

"(13) Additional allowance for military and naval personnel: In the case of compensation received during any taxable year and before the termination of the present war as proclaimed by the President, by a member of the military or naval forces of the United States for active service in such forces during such war, so much of such compensation as does not exceed \$1,500."

Then there is another provision, in section 8, which abates the taxes of members of the armed forces in case of death.

Mr. BONE. Will the Senator indicate the page?

Mr. ELLENDER. It will be found on page 104. Those two provisions are in nowise affected by my amendment. As I understand, there is a provision in the bill which cancels 1942 taxes of a soldier up to \$14,000. Let me say to the Senator that if my amendment in any way affects the provisions with regard to any member of our armed forces I desire to amend it so that the armed forces will be treated in the same manner as they are proposed to be treated under the terms of the pending bill.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Louisiana [Mr. ELLENDER] to the amendment of the committee, as amended.

Mr. ELLENDER. Mr. President, are we to reach a vote on this amendment this afternoon? The hour is rather late. It is a quarter to 5.

Mr. GEORGE. Mr. President, I hope we can vote on the amendment this afternoon.

Mr. ELLENDER. Mr. President, I wish to state that I have the floor.

It is now a quarter to 5, and the amendment, which was offered by me today, has not been printed. I offered it in good faith. I discussed the matter with a member of the Treasury Department yesterday and I gave him my views as to what should be contained in the amendment. The amendment could not be prepared until this morning. I offered it this afternoon. I am hopeful that the Senate will not force a vote this afternoon, but will permit the amendment to be printed so that Senators may have an opportunity to study it. I think it is a very important amendment.

Mr. GEORGE. Mr. President, if the Senator will permit me to make a statement, I have no desire to force a vote; but the Senator's amendment brings up the very genesis from which we started with the proposed legislation. I thought the amendment was well understood. If there is any question about the amendment being understood, it might go over; but we face this situation: If any withholding at the source is to go into effect July 1, the bill must clear both Houses of Congress and reach the President by Saturday or thereabouts. It is important that we move as fast as we can.

Mr. ELLENDER. I think it could be cleared tomorrow. Consideration of my

amendment will not occupy very much time.

Mr. GEORGE. We have a number of other amendments. Is the Senator especially anxious to have his amendment go over until tomorrow?

Mr. ELLENDER. I am.

Mr. GEORGE. Is the Senator willing temporarily to withdraw his amendment so that we may dispose of a few other amendments, which will not take more than a few minutes?

Mr. ELLENDER. I will agree to that provided that my amendment will be made the pending business when we meet tomorrow.

Mr. GEORGE. The Senator can temporarily withdraw his amendment and offer it the first thing tomorrow.

Mr. ELLENDER. Let us agree as follows: The Senate will defer consideration of my amendment, and after the amendments which the Senator desires to have considered are acted upon, my amendment will be the unfinished business tomorrow.

Mr. GEORGE. I shall be very glad to have the Senator offer his amendment after we shall have disposed of the other amendments.

Mr. WALSH. Mr. President, in view of the debate on this amendment, let me suggest that a time be fixed for voting tomorrow, at half-past 12, so that there will not be a recurrence of the whole debate on this amendment.

Mr. GEORGE. That is quite agreeable to me.

Mr. ELLENDER. Mr. President, there has not been much debate on my amendment. The debate has been on the bill itself.

Mr. WALSH. Could we not vote at half-past 12 or 1 o'clock on the Senator's amendment?

Mr. ELLENDER. My amendment has not received much deliberation or discussion.

Mr. WALSH. I believe that is true; but in view of what the Senator from Georgia has pointed out as to the urgency of action, we ought to try to fix a time to vote on the amendment.

Mr. ELLENDER. I can assure the Senator that I will not delay a vote on my amendment.

Mr. WALSH. Is the Senator willing to agree upon a time to vote?

Mr. ELLENDER. I will not agree on a specific time, but I will state to the Senator that I do not seek to prolong discussion on the amendment but ask only that it be thoroughly considered.

Mr. GEORGE. If the Senator will withdraw his amendment temporarily, so that I may offer other amendments, I will agree that his amendment may go over until tomorrow.

Mr. ELLENDER. With the understanding that after the disposition of the amendments to which the Senator refers my amendment will be the pending business tomorrow?

Mr. GEORGE. It would certainly be in order at any time.

Mr. ELLENDER. What is the difference? I can see no objection to my suggestion.

Mr. GEORGE. I would not want to start a long debate again on one amend-

ment when we have a number of other amendments. If it is to go over, I think there ought to be at least an understanding that we shall each a vote by a certain time. I do not care to have a unanimous-consent agreement. As quickly as the Senator can explain the amendment tomorrow I think we ought to be able to take a vote.

Mr. VANDENBERG. Mr. President, let me make a suggestion to the Senator. Regardless of the amendment of the Senator from Louisiana, and not referring to his amendment alone, we face the physical fact that if the proposed legislation is to be worth paying any further attention to, it must be completed this week. That is a physical fact. If all the amendments—and there are many pending—are to run the same sort of gantlet as does the amendment of the Senator from Louisiana, we shall not be through with the bill until next week, and then it will be a case of "love's labor lost," no matter what the result is. I wonder if we may have a unanimous consent agreement now limiting consideration of all amendments, commencing tomorrow at noon?

Mr. GEORGE. That is quite agreeable to me.

Mr. ELLENDER. Mr. President, I have no objection to laying my amendment aside temporarily, with the simple understanding that when we meet tomorrow it will be the unfinished business. I cannot see any reason why that cannot be agreed to.

Mr. GEORGE. Mr. President, I ask unanimous consent that within 40 minutes after the Senate convenes tomorrow a vote be had on the amendment of the Senator from Louisiana, if it is to be postponed.

The PRESIDING OFFICER. Is there objection?

Mr. McNARY. Mr. President, I like the suggestion made by the distinguished Senator from Michigan. At this time I think that if it is imperative that the pending bill should be disposed of this week or tomorrow, we should have an understanding limiting debate on all the amendments pending, or those which may be offered.

Mr. HILL. Will the Senator yield?

Mr. McNARY. I yield.

Mr. HILL. In that connection, I wonder if the chairman of the committee, and the distinguished minority leader, would think well of an agreement that no Member shall speak more than once, or longer than 15 minutes on any amendment?

Mr. GEORGE. I am perfectly willing to accept any suggestion. I thought we would vote early tomorrow on the pending bill.

Mr. LA FOLLETTE. Mr. President, I have no purpose to delay action on this bill, but I do not want to see the Senate placed in a position where the Members of the Senate cannot have adequate time for debate on amendments that may be offered. We do not know what amendments may be offered before the bill shall be voted upon.

Mr. HILL. The Senator from Wisconsin would not be willing at this time to enter into any agreement with reference to a limitation on debate?

Mr. LA FOLLETTE. I would not. We have debated this bill for only 2 days.

Mr. HILL. As the Senator knows—

Mr. GEORGE. Mr. President, it is only 5 o'clock. I think we had better proceed. That is the only way in which we can get an answer.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Louisiana [Mr. ELLENDER] to the amendment of the committee, as amended.

Mr. ELLENDER. Mr. President, I have some statistics which I should like to read. I do not care to detain the Senate unnecessarily, but I think that I have made a very reasonable request.

The amendment which is now pending can be laid aside. I am willing to agree temporarily to that being done. If in the meantime the Senate should desire to dispose of any amendments this afternoon, that would be perfectly agreeable to me. I do not see why this amendment cannot retain its status and be taken up when the Senate meets tomorrow. I should like to have the Senate agree to that, rather than to make it necessary for me to stand here and read from statistics. I do not ask for a vote on my amendment this afternoon. I am frank to say, as I have already said, that I was unable to have the amendment prepared previous to this afternoon. It was handed to me about 2 o'clock. The moment that I could obtain an opportunity to submit the amendment, I did so.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. WALSH. I do not think there is any opposition in the Senate to the amendment being voted upon tomorrow. The difficulty is that no time limit has been fixed. Without a time limit being agreed to we could have general debate and spend all day in discussing the merits of the bill, and the amendment of the Senator would not be reached at all. There has been some discussion of it today, and there may be some tomorrow, but if a time limit were fixed the Senator's amendment could be disposed of, and then we could proceed to general debate. If we should take all day tomorrow to discuss his amendment, that would be one thing. The Senator knows from experience here that everything else would be discussed except his amendment, but if a time were fixed I am sure every Member would be glad to have a vote upon his amendment sometime tomorrow.

Mr. ELLENDER. I do not have any objection to a time limitation being placed on the debate relative to the amendment, but I understand that the majority leader has asked that a time limit be set, and an objection was urged.

Mr. WALSH. My remarks were directed only to disposing of the amendment of the Senator from Louisiana, and were not directed to other amendments. If a time is fixed for action on the Senator's amendment every Member would, I believe, be satisfied and would be glad to accommodate the Senator. The difficulty is that if a limit shall not be placed upon debate we could

debate all day long on the general proposition and not reach a vote on the Senator's amendment for possibly 2 days.

Mr. HILL. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. HILL. Mr. President, the Senator does not wish his amendment to be voted upon this afternoon, and I understand his reasons for it. I take it that he will not allow his amendment to be voted on this afternoon, and he has it within his power not to permit the amendment to be voted upon. In view of the situation, would not the Senator be willing temporarily to withdraw his amendment? I believe the chairman of the Committee on Finance and the Senator from Missouri [Mr. CLARK] have a few amendments which they wish to propose. Tomorrow the Senator from Louisiana could offer his amendment. When he has offered it, unless some limitation shall be placed upon the debate—and the only way such limitation could be placed would be by his consent—he could take as long as he wished in discussing it. There is no way in which to prevent him from discussing his amendment now, and there is no disposition on the part of any Member not to allow him to take up his amendment tomorrow. If he would refrain from making his speech now, we could proceed to dispose of other amendments.

Mr. ELLENDER. The only difficulty is that I would like to have my amendment voted upon before 2 o'clock tomorrow.

Mr. HILL. In that connection I will say to the Senator, after conferring with the chairman of the committee and the distinguished minority leader, that it is my purpose to move to recess until 11 o'clock tomorrow, and if the Senate meets at 11 o'clock tomorrow the Senator's amendment could then be disposed of unless he should desire to take time in which to discuss it again.

Mr. ELLENDER. I have no intention to take up much more of the Senate's time in a discussion of the amendment. It is a very simple amendment. All I desire to do is to give an opportunity to Senators to read and study it.

Mr. HILL. Then if the Senator will temporarily withdraw his amendment he could have it printed in the RECORD, which would give every Senator an opportunity to read and study it, and offer it again tomorrow. In so doing we could make a little headway this afternoon in disposing of some of these other amendments. There would be no difficulty in offering his amendment tomorrow.

Mr. ELLENDER. I am willing to agree that if the Senate recesses until 11 o'clock tomorrow a vote will be taken upon my amendment not later than 12:30 p. m.

Mr. GEORGE. Mr. President, I will not agree to that. I will not agree to an hour and a half of further discussion on this amendment. The Senator can follow that course if he wishes to.

Mr. ELLENDER. I said not later than 12:30. It may be that we would be able to vote upon it at 11:30. I certainly shall not occupy an hour and a half in dis-

cussing the amendment. I may not occupy more than 10 or 15 minutes.

Mr. GEORGE. Mr. President, I have always tried to be very courteous, and the only thing I will say is that I shall insist on the Senate going ahead with its business. At a reasonable time tomorrow morning the amendment can be offered and voted upon. The Senator can offer his amendment at any time before the bill is finally disposed of.

Mr. ELLENDER. What objection would there be to temporarily setting aside the amendment and making it the unfinished business of the Senate tomorrow at 11 o'clock? What would be the objection to that?

Mr. GEORGE. I shall not ask the Senator temporarily to lay aside his amendment unless he wishes to do so. I will give him assurance that he can bring it up tomorrow.

Mr. ELLENDER. That is only the Senator's assurance. Possibly other Senators will introduce amendments in the meantime with the result that the Senator from Louisiana will be out on a limb and his amendment may not be voted upon.

Mr. HILL. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. HILL. I was going to say that I should be glad to join with the Senator in asking the Chair to recognize the Senator the first thing in the morning. I do not see what more the Senator could ask. He will have every opportunity to present his amendment. It is just a question of whether he is going to talk, or whether we will be able to dispose of some of the other amendments.

Mr. LUCAS. Mr. President, will the Senator from Louisiana yield?

Mr. ELLENDER. I yield.

Mr. LUCAS. As I understand, the Senator wants primarily to have the amendment printed in the RECORD overnight so that Senators who read the RECORD will have an opportunity to discuss it.

Mr. ELLENDER. The Senator is correct.

Mr. LUCAS. As I understand, the amendment is already in the RECORD.

Mr. ELLENDER. Yes.

Mr. LUCAS. And will be in the RECORD whether or not the Senator discusses it.

Mr. ELLENDER. That is correct.

Mr. LUCAS. Why could not the Senator just yield the floor at this time, because any time tomorrow the Senator certainly would have an opportunity to call up the amendment and discuss it, and his purpose will be served by having the amendment read by Senators tonight or tomorrow, and having the vote postponed until tomorrow, and that certainly will be done if the Senator will yield the floor at this time.

Mr. ELLENDER. As I understand the rules, if I should withdraw my amendment at the moment—

Mr. LUCAS. I am not asking the Senator to withdraw his amendment.

Mr. ELLENDER. What the Senator has suggested is what I have been suggesting, that the amendment be temporarily laid aside for the purpose of considering other amendments which Senators desire to have disposed of, and

after those amendments are disposed of, then my amendment is to revert to its present status. What is wrong with that? I cannot understand why that cannot be agreed upon.

The PRESIDING OFFICER. Is there objection to the request?

Mr. CLARK of Missouri. What is the request?

The PRESIDING OFFICER. The request is that the Senate suspend the consideration of the amendment of the Senator from Louisiana for the purpose of considering other amendments, the consideration of that amendment to be resumed upon the completion of the consideration of the other amendments, and that the amendment of the Senator from Louisiana be made the unfinished business.

Mr. GEORGE. I must object to that, because it is an unheard of proceeding. It is perfectly fair, if the Senator wishes temporarily to lay the amendment aside, and let us proceed, because he is not willing to have a vote, although it is just 5 o'clock. It is perfectly fair, and I agreed in the first instance that the amendment might be laid aside temporarily so that we could proceed and discuss such other amendments as might be offered, but I will not agree that it shall go over as a preferred amendment, with a preferred status.

Mr. ELLENDER. Mr. President, I do not wish to assume the attitude of being obstinate and stubborn, and with the assurance of the acting majority leader, as well as of the distinguished Senator from Georgia, that my amendment will receive first consideration when we meet tomorrow, I shall be willing to have it set aside temporarily.

Mr. GEORGE. Mr. President, I object to any agreement whatsoever, and will not consent to any suggestion whatsoever, to give this amendment a preferred status, beyond the assurance that the amendment may be brought up. That is not a procedure I have heard suggested before in the Senate, during my experience here.

If there could be an agreement to limit debate upon the amendment to 15 minutes on the part of any Senator, I should be perfectly willing to ask the acting majority leader to seek an adjournment or a recess until tomorrow. If we may have consent that all debate upon the amendment be limited to 15 minutes on the part of any Senator on the amendment or any amendment proposed to the amendment, I shall be willing to ask the Senate to take a recess, although there are impelling reasons why the pending bill should be speedily considered and passed, so that it may become effective by July 1.

Mr. HILL. Mr. President, I ask unanimous consent that no Senator be allowed to speak more than once on the pending amendment, or on any amendment to the pending amendment, and that no Senator be allowed to speak over 15 minutes on the amendment or any amendment thereto.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Alabama? The Chair hears none, and it is so ordered.

Mr. CONNALLY. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CONNALLY. I have an amendment in the nature of a substitute which I expect to offer, and the inquiry is whether under the Senate rules, if the Senator from Georgia should offer his amendment as a substitute and it should be adopted, it would then be in order for me to offer a complete substitute.

The PRESIDING OFFICER. If a complete substitute for the bill is adopted, then a substitute would not be in order.

Mr. CONNALLY. It was my view that if a complete substitute were adopted, this would be in the nature of a perfecting amendment.

The PRESIDING OFFICER. In the form in which the amendment of the Senator from Georgia has been submitted, it is not a substitute at all.

Mr. CONNALLY. It is not a substitute?

The PRESIDING OFFICER. Not for the whole bill. It is a substitute for section 6.

Mr. CONNALLY. I do not wish to prevent the Senator from Georgia having a clear-cut issue on the amendment. I prefer to offer my amendment in advance of the vote on his amendment, but I still want to give him a green light.

The PRESIDING OFFICER. A perfecting amendment would have precedence over any substitute.

Mr. BONE. Mr. President, I wish to make a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BONE. I should like to know whether the substitute which is to be tendered by the Senator from Texas will be the only substitute for the pending legislation offered in the Senate.

Mr. CONNALLY. I cannot answer that question. The substitute which I have in mind is the House Ways and Means Committee bill, which was reported on April 30, and its general outline is that it adopts for 1942 the 1941 rates, and then for the taxpayers of 1942 it permits a 3-year interval for payment in installments.

Mr. BONE. I understand the nature of that proposal.

Mr. CONNALLY. That is the proposal I intend to offer as an amendment.

Mr. BONE. I am inquiring whether at this moment the proposal of the Senator from Texas will be the only proposal in the nature of a complete substitute for the pending Senate committee bill.

Mr. CONNALLY. We would have to call a quorum to ascertain that.

Mr. President, I send forward the amendment to which I have made reference, and ask that it be printed for the information of Senators.

The PRESIDING OFFICER. The amendment intended to be proposed by the Senator from Texas will be received, printed, and lie on the table.

EXECUTIVE SESSION

Mr. HILL. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. McFarland in the chair) laid before the Senate messages from the President of the United States submitting several nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

By Mr. WAGNER, from the Committee on Banking and Currency:

Sumner T. Pike, of Maine, to be a member of the Securities and Exchange Commission for the term expiring June 5, 1948. (Reappointment.)

By Mr. GEORGE, from the Committee on Finance:

James Lloyd Elliott and Lloyd Frederic Summers to be assistant surgeons in the Regular Corps of the United States Public Health Service, effective on date of oath; and

Sundry senior surgeons, surgeons, passed assistant surgeons, assistant surgeons, a senior dental surgeon, and a passed assistant dental surgeon, all for temporary promotion in the United States Public Health Service

By Mr. WALSH, from the Committee on Naval Affairs:

Capt. Laurance T. BuBose to be a rear admiral in the Navy, for temporary service, to rank from September 21, 1942; and

Rear Admiral Charles P. Snyder, United States Navy, when retired on August 1, 1943, to be placed on the retired list with the rank of admiral pursuant to an act of Congress approved June 16, 1942.

By Mr. HAYDEN, from the Committee on Post Offices and Post Roads:

Sundry postmasters.

The PRESIDING OFFICER. If there be no further reports of committees, the clerk will proceed to state the nominations on the Executive Calendar.

COLLECTOR OF CUSTOMS

The legislative clerk read the nomination of Harry M. Brennan to be collector of customs for customs collection district No. 42.

Mr. CHANDLER. Mr. President, I move that the nomination of Harry M. Brennan, a citizen of Louisville, Commonwealth of Kentucky, to be collector of customs for customs collection district No. 42, with headquarters at Louisville, Ky., be confirmed. It is a position which he has heretofore held and filled with distinction.

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to this nomination?

The nomination was confirmed.

Mr. CHANDLER. I ask that the President be immediately notified of the confirmation.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the President will be forthwith notified.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. HILL. I ask unanimous consent that the postmaster nominations be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the postmaster nominations are confirmed en bloc.

Mr. HILL. I ask that the President be notified forthwith of all confirmations of today.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the President will be immediately notified.

RECESS

Mr. HILL. As in legislative session, I move that the Senate take a recess until 11 o'clock a. m. tomorrow.

The motion was agreed to; and (at 5 o'clock and 12 minutes p. m.) the Senate took a recess until tomorrow, Friday, May 14, 1943, at 11 o'clock a. m.

NOMINATIONS

Executive nominations received by the Senate May 13 (legislative day of May 12), 1943:

UNITED STATES ATTORNEY

Charles H. Carr of California to be United States attorney for the southern district of California, vice William Fleet Palmer, deceased.

IN THE NAVY

Capt. Charles E. Rosendahl to be a rear admiral in the Navy, for temporary service, to rank from the 9th day of July 1942.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 13 (legislative day of May 12), 1943:

COLLECTOR OF CUSTOMS

Harry M. Brennan to be a collector of customs for customs collection district No. 42, with headquarters at Louisville, Ky.

POSTMASTERS

ALABAMA

Frances R. Gresham, Autaugaville.

COLORADO

Louis M. French, Norwood.
Leah M. Kesecker, Redcliff.

MICHIGAN

Bernice S. Tiedeman, Washington.

MISSOURI

Helen K. Bridges, Arbyrd.

NEBRASKA

Darwin T. Murfin, Cairo.

NEW JERSEY

Henry G. Roberts, Bay Head.
Louis A. Reilly, Newark.

TEXAS

Hugh L. Williams, Blanket.
Horace Hamilton, Franklin.
Fountain Pitts Shrader, Frisco.
Clyde E. Perkins, Kirkland.
J. O. McBride, Leander.
Grace L. Fowler, Pflugerville.
Charles G. Conley, Quanah.
Vernon E. Newman, Tolar.

VERMONT

Ward L. Lyons, Bennington.
Kenneth A. Tudhope, North Hero.
John J. Cain, Orwell.
Patrick J. Candon, Pittsford.
Ethel B. Wilkins, Reading.
Mary E. Gover, Sheldon Springs.
Cecelia S. Joslyn, South Hero.
Irving E. Bronson, Swanton.

House of Representatives

THURSDAY, MAY 13, 1943

The House met at 12 o'clock noon, and was called to order by the Speaker.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Most loving Father in heaven, whose mercies are exceedingly rich and abundant, Thou hast never forsaken the trusting soul in need. He who bears witness with calm and undaunted will against the wrong, need never count the battle lost. Above the expanse of problems make us humbly eager to serve our fellow men, fair and resolute in criticism and triumphant in faith.

O Christ, breathe into every motive and desire and prune the overaffections of the soul that we may learn how sweet the bitter and how strong our weakness. We pray that courtesy may be the aroma of our conduct, so helpful that it will lift us above the strata of strife. In our waking hours and daily tasks, in voiceless wonder let us come to Thee without fear, rejoicing that we are within the circuit of Thy being; O gather within Thy fatherly hands our time, our lives, and our souls. Wilt Thou bring to an end the dire works of darkness which have been thrust upon Thy appealing children? Bring them release, O Lord, from their prison walls and crush the black hands of spiritual anarchy. Almighty God, grant to our President and all who are joined with him in conference the fullest measure of wisdom and strength to do Thy will and Thine shall be the praise forever through Christ. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Miller, one of his secretaries, who also informed the House that on the following dates the President approved and signed bills and joint resolutions of the House of the following titles:

On May 3, 1943:

H. R. 1114. An act to revive and reenact an act approved June 13, 1934 (48 Stat. 947), as amended, authorizing construction of a toll bridge across the Columbia River, at or near Astoria, Oreg.;

H. R. 2370. An act providing for the suspension of annual assessment work on mining claims held by location in the United States, including the Territory of Alaska; and

H. J. Res 14. Joint resolution authorizing the execution of certain obligations under the treaties of 1903 and 1936 with Panama, and other commitments.

On May 7, 1943:

H. R. 1860. An act to provide for the payment of overtime compensation to Government employees, and for other purposes; and

H. J. Res. 115. Joint resolution making appropriations to supply urgent deficiencies in certain appropriations for the fiscal year ending June 30, 1943, and for other purposes.

On May 10, 1943:

H. R. 1936. An act to provide for the expansion of facilities for hospitalization of dependents of naval and Marine Corps personnel, and for other purposes; and

H. R. 2281. An act to provide for the issuance of devices in recognition of the services of merchant sailors.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Frazier, its legislative clerk, announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 658. An act to repeal the sixth paragraph of section 18 of the Federal Reserve Act;

S. 981. An act to assist relieving economic distress in Puerto Rico and the Virgin Islands by providing work for unemployed persons, and for other purposes; and

S. 1041. An act to extend the period during which direct obligations of the United States may be used as collateral security for Federal Reserve notes.

The message also announced that the Vice President had appointed Mr. BARKLEY and Mr. BREWSTER members of the joint select committee on the part of the Senate, as provided for in the act of August 5, 1939, entitled "An act to provide for the disposition of certain records of the United States Government," for the disposition of executive papers in the following departments and agencies:

1. Department of Agriculture.
2. Department of Justice.
3. Department of the Navy.
4. Federal Communications Commission.
5. Federal Works Agency.
6. National Archives.

EXTENSION OF REMARKS

Mr. FAY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an article in reference to a former colleague.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. FAY]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. BURGIN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a letter from a former member of Congress to the editor of the Evening Star, in Washington, D. C.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. BURGIN]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. OUTLAND. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an editorial appearing in the Washington Post of today.

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. OUTLAND]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. MILLS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include an editorial appearing in the News of today.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas [Mr. MILLS]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the CONGRESSIONAL RECORD and to include copy of a bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas, [Mr. PATMAN]?

There was no objection.

[The matter referred to appears in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that on Monday next after the other special orders and the business of the day has been concluded I may be privileged to address the House for 30 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. PATMAN]?

There was no objection.

EXTENSION OF REMARKS

Mr. VURSELL. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a telegram from a western automobile organization.

The SPEAKER. Is there objection to the request of the gentleman from Illinois [Mr. VURSELL]?

There was no objection.

[The matter referred to appears in the Appendix.]

78TH CONGRESS
1ST SESSION

H. R. 2570

IN THE SENATE OF THE UNITED STATES

MAY 13 (legislative day, MAY 12), 1943
Ordered to lie on the table and to be printed

AMENDMENT

Proposed by Mr. ELLENDER to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, viz: Beginning on page 97, line 12, strike out all of section 6 and insert in lieu thereof the following:

1 SEC. 6. DEFERMENT OF 1942 LIABILITY.

2 (a) IN GENERAL.—Effective as of September 1, 1943,
3 in the case of the taxable year 1942 of any individual (other
4 than an estate or trust and other than a nonresident alien)
5 the fifteenth day of the fifteenth month shall be substituted
6 for the fifteenth day of the third month following the close
7 of such taxable year for the purposes of sections 53 and
8 56 (a) of the Internal Revenue Code.

1 (b) EXTENSION OF TIME FOR PAYMENT.—At the
2 election of the taxpayer, made under regulations prescribed
3 by the Commissioner with the approval of the Secretary,
4 the Commissioner shall extend the time for the payment of
5 the tax for the taxable year 1942 imposed upon any indi-
6 vidual (other than an estate or trust and other than a non-
7 resident alien) in which case such tax shall be paid in ten
8 equal installments, the first of which shall be paid on the
9 fifteenth day of the third month following the close of the
10 taxable year 1943, and of the remaining installments one
11 shall be paid on the last day of each succeeding six-month
12 period, except that any installment may be paid prior to the
13 date prescribed for its payment. If any installment is not
14 paid on or before the date on which it is payable, it and the
15 remaining installments shall be paid upon notice and demand
16 from the collector.

17 (c) TREATMENT OF PAYMENTS ON ACCOUNT OF 1942
18 TAX MADE DURING THE TAXABLE YEAR 1943.—Any pay-
19 ment made on account of the tax imposed by Chapter 1 of
20 the Internal Revenue Code for the taxable year 1942 upon
21 an individual (other than an estate or trust and other than a
22 nonresident alien) during the taxable year 1943 shall be
23 considered as payment on account of the estimated tax for
24 the taxable year 1943. If any payment on account of the
25 tax imposed by such chapter for the taxable year 1942 is

1 made during the taxable year 1943 pursuant to a joint
2 return made by husband and wife for the taxable year 1942
3 such payment may be treated as a payment on account of
4 the estimated tax of either the husband or the wife for such
5 taxable year or may be divided between them.

6 (d) USE OF TERM "TAXABLE YEAR".—For the pur-
7 poses of this section the terms "taxable year 1942" and "tax-
8 able year 1943" mean, respectively, the taxable year begin-
9 ning in 1942 and 1943, respectively.

AMENDMENT

Proposed by Mr. ERLENDER to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes.

MAY 13 (legislative day, MAY 12), 1943

Ordered to lie on the table and to be printed

78TH CONGRESS
1ST SESSION

H. R. 2570

IN THE SENATE OF THE UNITED STATES

MAY 13 (legislative day, MAY 12), 1943

Ordered to lie on the table and to be printed

AMENDMENT

(IN THE NATURE OF A SUBSTITUTE)

Intended to be proposed by Mr. CONNALLY to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, viz: In lieu of the language proposed to be inserted by the Committee on Finance, as amended, insert the following:

1 That (a) this Act may be cited as the "Current Tax
2 Payment Act of 1943".

3 (b) MEANING OF TERMS USED.—Except as otherwise
4 expressly provided, terms used in this Act shall have the
5 same meaning as when used in the Internal Revenue Code.

6 SEC. 2. COLLECTION OF TAX AT SOURCE ON WAGES.

7 (a) IN GENERAL.—Chapter 9 of the Internal Revenue

1 Code (relating to employment taxes) is amended by insert-
 2 ing at the end thereof the following new subchapters:

3 **“SUBCHAPTER D—COLLECTION OF INCOME TAX**
 4 **AT SOURCE ON WAGES**

5 **“SEC. 1621. DEFINITIONS.**

6 “As used in this subchapter—

7 “(a) **WAGES.**—The term ‘wages’ means all remunera-
 8 tion (other than fees paid to a public official) for services
 9 performed by an employee for his employer, including the
 10 cash value of all remuneration paid in any medium other
 11 than cash; except that such term shall not include remunera-
 12 tion paid—

13 “(1) for services performed as a member of the
 14 military or naval forces of the United States, other than
 15 pensions and retired pay includible in gross income under
 16 Chapter 1, or

17 “(2) for agricultural labor (as defined in section
 18 1426 (h)), or

19 “(3) for domestic service in a private home, local
 20 college club, or local chapter of a college fraternity or
 21 sorority, or

22 “(4) for casual labor not in the course of the em-
 23 ployer’s trade or business, or

1 “(5) for services by a citizen or resident of the
2 United States for a foreign government or for the gov-
3 ernment of the Commonwealth of the Philippines, or

4 “(6) for services performed by a nonresident alien
5 individual, other than a resident of a contiguous country
6 who enters and leaves the United States at frequent
7 intervals, or

8 “(7) for such services, performed by a nonresident
9 alien individual who is a resident of a contiguous country
10 and who enters and leaves the United States at frequent
11 intervals, as may be designated by regulations prescribed
12 by the Commissioner with the approval of the Secretary,
13 or

14 “(8) for services for an employer performed by a
15 citizen or resident of the United States while outside the
16 United States (as defined in section 3797 (a) (9)) if
17 the major part of the services for such employer during
18 the calendar year is to be performed outside the United
19 States, or

20 “(9) for services performed as a minister of the
21 gospel.

22 For the purpose of paragraph (8) services performed on or
23 in connection with an American vessel (as defined in section

1 1426 (g)) under a contract of service which is entered
2 into within the United States or during the performance of
3 which the vessel touches at a port in the United States, or
4 on or in connection with any vessel as an employee of the
5 United States employed through the War Shipping Ad-
6 ministration, shall not constitute services performed outside
7 the United States.

8 “(b) PAYROLL PERIOD.—The term ‘payroll period’
9 means a period for which a payment of wages is ordinarily
10 made to the employee by his employer, and the term ‘mis-
11 cellaneous payroll period’ means a payroll period other than
12 a weekly, biweekly, semimonthly, monthly, quarterly, semi-
13 annual, or annual payroll period.

14 “(c) EMPLOYEE.—The term ‘employee’ includes an
15 officer, employee, or elected official of the United States, a
16 State, Territory, or any political subdivision thereof, or the
17 District of Columbia, or any agency or instrumentality of
18 any one or more of the foregoing. The term ‘employee’ also
19 includes an officer of a corporation.

20 “(d) EMPLOYER.—The term ‘employer’ means the per-
21 son for whom an individual performs or performed any
22 service, of whatever nature, as the employee of such person,
23 except that—

“(1) if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term ‘employer’ (except for the purposes of subsection (a)) means the person having control of the payment of such wages; and

“(2) in the case of a person paying wages on behalf of a nonresident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, the term ‘employer’ (except for the purposes of subsection (a)) means such person.

“(e) SINGLE PERSON.—The term ‘single person’ means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that such person is single, or is married and not living with husband or wife, and is not the head of a family.

“(f) MARRIED PERSON.—The term ‘married person’ means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is married and living with husband or wife.

“(g) MARRIED PERSON CLAIMING ALL OF PERSONAL EXEMPTION FOR WITHHOLDING.—The term ‘married person claiming all of personal exemption for withholding’

1 means a married person with respect to whom a withholding
 2 exemption certificate is in effect under section 1622 (h)
 3 stating that for the purposes of this subchapter such person
 4 claims all of the personal exemption and that for the pur-
 5 poses of this subchapter his spouse is claiming none of the
 6 personal exemption.

7 “(h) MARRIED PERSON CLAIMING HALF OF PER-
 8 SONAL EXEMPTION FOR WITHHOLDING.—The term ‘married
 9 person claiming half of the personal exemption for with-
 10 holding’ means a married person with respect to whom a
 11 withholding exemption certificate is in effect under section
 12 1622 (h) stating that for the purposes of this subchapter
 13 such person claims half of the personal exemption and that
 14 for the purposes of this subchapter his spouse is claiming not
 15 more than half of such exemption.

16 “(i) MARRIED PERSON CLAIMING NONE OF PERSONAL
 17 EXEMPTION FOR WITHHOLDING.—The term ‘married per-
 18 son claiming none of the personal exemption for withholding’
 19 means a married person with respect to whom a withholding
 20 exemption certificate is in effect under section 1622 (h)
 21 making no claim with respect to the personal exemption
 22 for the purposes of this subchapter.

23 “(j) HEAD OF FAMILY.—The term ‘head of a family’

1 means a person with respect to whom a withholding exemp-
 2 tion certificate is in effect under section 1622 (h) stating that
 3 he is the head of a family.

4 “(k) DEPENDENT.—The term ‘dependent’ means a per-
 5 son included in a withholding exemption certificate in effect
 6 under section 1622 (h) as a person dependent upon and
 7 receiving his chief support from the employee and either
 8 under eighteen years of age or incapable of self-support be-
 9 cause mentally or physically defective.

10 **“SEC. 1622. INCOME TAX COLLECTED AT SOURCE.**

11 “(a) REQUIREMENT OF WITHHOLDING.—Every em-
 12 ployer making payment of wages shall withhold and collect
 13 upon such wages a tax equal to the greater of the following:

14 “(1) 20 per centum of the excess of each payment
 15 of such wages over the family status withholding exemp-
 16 tion allowable under subsection (b) (1) (A), or

17 “(2) 3 per centum of the excess of each payment
 18 of such wages over the Victory tax withholding exemp-
 19 tion allowable under subsection (b) (1) (B).

20 “(b) WITHHOLDING EXEMPTION.—

21 “(1) In computing the tax required to be withheld
 22 under subsection (a), there shall be allowed as a with-
 23 holding exemption with respect to the wages paid for
 24 each payroll period—

1 “(A) in computing the tax required to be with-
2 held under subsection (a) (1), a family status with-
3 holding exemption determined in accordance with
4 the following schedule:

“Family Status Withholding Exemption

“Payroll period	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly-----	\$12	\$24	\$12	0	\$6
Biweekly-----	\$24	\$48	\$24	0	\$12
Semimonthly-----	\$26	\$52	\$26	0	\$13
Monthly-----	\$52	\$104	\$52	0	\$26
Quarterly-----	\$156	\$312	\$156	0	\$78
Semiannual-----	\$312	\$624	\$312	0	\$156
Annual-----	\$624	\$1, 248	\$624	0	\$312
Daily or miscellaneous (per day of such period)-----	\$1. 70	\$3. 40	\$1. 70	0	\$. 85

5 “(B) in computing the tax required to be with-
6 held under subsection (a) (2), a Victory tax with-
7 holding exemption determined in accordance with
8 the following schedule:

"Payroll Period	Victory Tax Withholding Exemption
Weekly -----	\$12. 00
Biweekly -----	24. 00
Semimonthly -----	26. 00
Monthly -----	52. 00
Quarterly -----	156. 00
Semiannual -----	312. 00
Annual -----	624. 00
Daily or Miscellaneous (per day of such period) -----	1. 70

1 “(2) If wages are paid with respect to a period
2 which is not a payroll period; the withholding exemp-
3 tion allowable with respect to each payment of such
4 wages shall be the exemption allowed for a miscellane-
5 ous payroll period containing a number of days equal
6 to the number of days in the period with respect to
7 which such wages are paid.

8 “(3) In any case in which wages are paid by an
9 employer without regard to any payroll period or other
10 period, the withholding exemption allowable with respect
11 to each payment of such wages shall be the exemption
12 allowed for a miscellaneous payroll period containing a
13 number of days equal to the number of days (including
14 Sundays and holidays) which have elapsed since the date
15 of the last payment of such wages by such employer

1 during the calendar year, or the date of commencement
2 of employment with such employer during such year, or
3 January 1 of such year, whichever is the later.

4 “(4) In any case in which the period, or the time
5 described in paragraph (3), in respect of any wages is
6 less than one week, the Commissioner, under regulations
7 prescribed by him with the approval of the Secretary,
8 may authorize an employer, in computing the tax re-
9 quired to be withheld, to use the excess of the aggre-
10 gate of the wages paid to the employee during the
11 calendar week over the withholding exemption allowed
12 by this subsection for a weekly payroll period.

13 “(5) In determining the amount to be withheld un-
14 der this subsection, the wages may, at the election of the
15 employer, be computed to the nearest dollar.

16 “(c) WAGE BRACKET WITHHOLDING.—

17 “(1) At the election of the employer with respect
18 to any employee, the employer shall deduct and withhold
19 upon the wages paid to such employee a tax determined
20 in accordance with the following tables, which shall be
21 in lieu of the tax required to be withheld under sub-
22 section (a) :

If the payroll period with respect to an employee is weekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—									
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
				Or, (3) such person is a single person and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
						Or, (4) such person is a married person claiming all of personal exemption for withholding and has—					
						No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
						Or, (5) such person is head of a family and has—					
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents		
				The amount of tax to be withheld shall be—							
\$0	\$10	\$1. 00									
10	15	2. 50	\$1. 30	\$0. 10							
15	20	3. 50	2. 30	1. 10	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20	\$0. 20
20	25	4. 50	3. 30	2. 10	. 90	. 30	. 30	. 30	. 30	. 30	. 30
25	30	5. 50	4. 30	3. 10	1. 90	. 70	. 50	. 50	. 50	. 50	. 50
30	40	7. 00	5. 80	4. 60	3. 40	2. 20	1. 00	. 70	. 70	. 70	. 70
40	50	9. 00	7. 80	6. 60	5. 40	4. 20	3. 00	1. 80	1. 00	1. 00	1. 00
50	60	11. 00	9. 80	8. 60	7. 40	6. 20	5. 00	3. 80	2. 60	1. 40	1. 30
60	70	13. 00	11. 80	10. 60	9. 40	8. 20	7. 00	5. 80	4. 60	3. 40	2. 20
70	80	15. 00	13. 80	12. 60	11. 40	10. 20	9. 00	7. 80	6. 60	5. 40	4. 20
80	90	17. 00	15. 80	14. 60	13. 40	12. 20	11. 00	9. 80	8. 60	7. 40	6. 20
90	100	19. 00	17. 80	16. 60	15. 40	14. 20	13. 00	11. 80	10. 60	9. 40	8. 20
100	110	21. 00	19. 80	18. 60	17. 40	16. 20	15. 00	13. 80	12. 60	11. 40	10. 20
110	120	23. 00	21. 80	20. 60	19. 40	18. 20	17. 00	15. 80	14. 60	13. 40	12. 20
120	130	25. 00	23. 80	22. 60	21. 40	20. 20	19. 00	17. 80	16. 60	15. 40	14. 20
130	140	27. 00	25. 80	24. 60	23. 40	22. 20	21. 00	19. 80	18. 60	17. 40	16. 20
140	150	29. 00	27. 80	26. 60	25. 40	24. 20	23. 00	21. 80	20. 60	19. 40	18. 20
150	160	31. 00	29. 80	28. 60	27. 40	26. 20	25. 00	23. 80	22. 60	21. 40	20. 20
160	170	33. 00	31. 80	30. 60	29. 40	28. 20	27. 00	25. 80	24. 60	23. 40	22. 20
170	180	35. 00	33. 80	32. 60	31. 40	30. 20	29. 00	27. 80	26. 60	25. 40	24. 20
180	190	37. 00	35. 80	34. 60	33. 40	32. 20	31. 00	29. 80	28. 60	27. 40	26. 20
190	200	39. 00	37. 80	36. 60	35. 40	34. 20	33. 00	31. 80	30. 60	29. 40	28. 20
\$200 or over		20% of the excess over \$200 plus									
		\$40. 00	\$38. 80	\$37. 60	\$36. 40	\$35. 20	\$34. 00	\$32. 80	\$31. 60	\$30. 40	\$29. 20

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$1.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
						Or, (4) such person is a married person claiming all of personal exemption for withholding and has—									
						No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents				
						Or, (5) such person is head of a family and has—									
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of tax to be withheld shall be—											
				\$0	\$20	\$2. 00									
20	30	5. 00	\$2. 60	\$0. 20											
30	40	7. 00	4. 60	2. 20	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30				
40	50	9. 00	6. 60	4. 20	1. 80	. 60	. 60	. 60	. 60	. 60	. 60				
50	60	11. 00	8. 60	6. 20	3. 80	1. 40	. 90	. 90	. 90	. 90	. 90				
60	80	14. 00	11. 60	9. 20	6. 80	4. 40	2. 00	1. 40	1. 40	1. 40	1. 40				
80	100	18. 00	15. 60	13. 20	10. 80	8. 40	6. 00	3. 60	2. 00	2. 00	2. 00				
100	120	22. 00	19. 60	17. 20	14. 80	12. 40	10. 00	7. 60	5. 20	2. 80	2. 60				
120	140	26. 00	23. 60	21. 20	18. 80	16. 40	14. 00	11. 60	9. 20	6. 80	4. 40				
140	160	30. 00	27. 60	25. 20	22. 80	20. 40	18. 00	15. 60	13. 20	10. 80	8. 40				
160	180	34. 00	31. 60	29. 20	26. 80	24. 40	22. 00	19. 60	17. 20	14. 80	12. 40				
180	200	38. 00	35. 60	33. 20	30. 80	28. 40	26. 00	23. 60	21. 20	18. 80	16. 40				
200	220	42. 00	39. 60	37. 20	34. 80	32. 40	30. 00	27. 60	25. 20	22. 80	20. 40				
220	240	46. 00	43. 60	41. 20	38. 80	36. 40	34. 00	31. 60	29. 20	26. 80	24. 40				
240	260	50. 00	47. 60	45. 20	42. 80	40. 40	38. 00	35. 60	33. 20	30. 80	28. 40				
260	280	54. 00	51. 60	49. 20	46. 80	44. 40	42. 00	39. 60	37. 20	34. 80	32. 40				
280	300	58. 00	55. 60	53. 20	50. 80	48. 40	46. 00	43. 60	41. 20	38. 80	36. 40				
300	320	62. 00	59. 60	57. 20	54. 80	52. 40	50. 00	47. 60	45. 20	42. 80	40. 40				
320	340	66. 00	63. 60	61. 20	58. 80	56. 40	54. 00	51. 60	49. 20	46. 80	44. 40				
340	360	70. 00	67. 60	65. 20	62. 80	60. 40	58. 00	55. 60	53. 20	50. 80	48. 40				
360	380	74. 00	71. 60	69. 20	66. 80	64. 40	62. 00	59. 60	57. 20	54. 80	52. 40				
380	400	78. 00	75. 60	73. 20	70. 80	68. 40	66. 00	63. 60	61. 20	58. 80	56. 40				
\$400 or over-----		20% of the excess over \$400 plus													
		\$80. 00	\$77. 60	\$75. 20	\$72. 80	\$70. 40	\$68. 00	\$65. 60	\$63. 20	\$60. 80	\$58. 40				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.40 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—									
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
				Or, (3) such person is a single person and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—						
					No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	
					Or, (5) such person is head of a family and has—						
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents		
				The amount of tax to be withheld shall be—							
\$0	\$20	\$2. 00	-----								
20	30	5. 00	\$2. 40	-----							
30	40	7. 00	4. 40	\$1. 80	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30
40	50	9. 00	6. 40	3. 80	1. 20	. 60	. 60	. 60	. 60	. 60	. 60
50	60	11. 00	8. 40	5. 80	3. 20	. 90	. 90	. 90	. 90	. 90	. 90
60	80	14. 00	11. 40	8. 80	6. 20	3. 60	1. 30	1. 30	1. 30	1. 30	1. 30
80	100	18. 00	15. 40	12. 80	10. 20	7. 60	5. 00	2. 40	1. 90	1. 90	1. 90
100	120	22. 00	19. 40	16. 80	14. 20	11. 60	9. 00	6. 40	3. 80	2. 50	2. 50
120	140	26. 00	23. 40	20. 80	18. 20	15. 60	13. 00	10. 40	7. 80	5. 20	3. 10
140	160	30. 00	27. 40	24. 80	22. 20	19. 60	17. 00	14. 40	11. 80	9. 20	6. 60
160	180	34. 00	31. 40	28. 80	26. 20	23. 60	21. 00	18. 40	15. 80	13. 20	10. 60
180	200	38. 00	35. 40	32. 80	30. 20	27. 60	25. 00	22. 40	19. 80	17. 20	14. 60
200	220	42. 00	39. 40	36. 80	34. 20	31. 60	29. 00	26. 40	23. 80	21. 20	18. 60
220	240	46. 00	43. 40	40. 80	38. 20	35. 60	33. 00	30. 40	27. 80	25. 20	22. 60
240	260	50. 00	47. 40	44. 80	42. 20	39. 60	37. 00	34. 40	31. 80	29. 20	26. 60
260	280	54. 00	51. 40	48. 80	46. 20	43. 60	41. 00	38. 40	35. 80	33. 20	30. 60
280	300	58. 00	55. 40	52. 80	50. 20	47. 60	45. 00	42. 40	39. 80	37. 20	34. 60
300	320	62. 00	59. 40	56. 80	54. 20	51. 60	49. 00	46. 40	43. 80	41. 20	38. 60
320	340	66. 00	63. 40	60. 80	58. 20	55. 60	53. 00	50. 40	47. 80	45. 20	42. 60
340	360	70. 00	67. 40	64. 80	62. 20	59. 60	57. 00	54. 40	51. 80	49. 20	46. 60
360	380	74. 00	71. 40	68. 80	66. 20	63. 60	61. 00	58. 40	55. 80	53. 20	50. 60
380	400	78. 00	75. 40	72. 80	70. 20	67. 60	65. 00	62. 40	59. 80	57. 20	54. 60
\$400 or over-----		20% of the excess over \$400 plus									
		\$80. 00	\$77. 40	\$74. 80	\$72. 20	\$69. 60	\$67. 00	\$64. 40	\$61. 80	\$59. 20	\$56. 60

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.60 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—										
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents	
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—								
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	
				Or, (3) such person is a single person and has—								
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—								
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	
				Or, (5) such person is head of a family and has—								
No dependents or one dependent								Two dependents	Three dependents	Four dependents	Five dependents	Six dependents
The amount of the tax to be withheld shall be—												
\$0	\$40	\$4. 00										
40	50	9. 00	\$3. 80									
50	60	11. 00	5. 80	\$0. 60	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10	\$0. 10	
60	70	13. 00	7. 80	2. 60	. 40	. 40	. 40	. 40	. 40	. 40	. 40	
70	80	15. 00	9. 80	4. 60	. 70	. 70	. 70	. 70	. 70	. 70	. 70	
80	100	18. 00	12. 80	7. 60	2. 40	1. 10	1. 10	1. 10	1. 10	1. 10	1. 10	
100	120	22. 00	16. 80	11. 60	6. 40	1. 70	1. 70	1. 70	1. 70	1. 70	1. 70	
120	140	26. 00	20. 80	15. 60	10. 40	5. 20	2. 30	2. 30	2. 30	2. 30	2. 30	
140	160	30. 00	24. 80	19. 60	14. 40	9. 20	4. 00	2. 90	2. 90	2. 90	2. 90	
160	200	36. 00	30. 80	25. 60	20. 40	15. 20	10. 00	4. 80	3. 80	3. 80	3. 80	
200	240	44. 00	38. 80	33. 60	28. 40	23. 20	18. 00	12. 80	7. 60	5. 00	5. 00	
240	280	52. 00	46. 80	41. 60	36. 40	31. 20	26. 00	20. 80	15. 60	10. 40	6. 20	
280	320	60. 00	54. 80	49. 60	44. 40	39. 20	34. 00	28. 80	23. 60	18. 40	13. 20	
320	360	68. 00	62. 80	57. 60	52. 40	47. 20	42. 00	36. 80	31. 60	26. 40	21. 20	
360	400	76. 00	70. 80	65. 60	60. 40	55. 20	50. 00	44. 80	39. 60	34. 40	29. 20	
400	440	84. 00	78. 80	73. 60	68. 40	63. 20	58. 00	52. 80	47. 60	42. 40	37. 20	
440	480	92. 00	86. 80	81. 60	76. 40	71. 20	66. 00	60. 80	55. 60	50. 40	45. 20	
480	520	100. 00	94. 80	89. 60	84. 40	79. 20	74. 00	68. 80	63. 60	58. 40	53. 20	
520	560	108. 00	102. 80	97. 60	92. 40	87. 20	82. 00	76. 80	71. 60	66. 40	61. 20	
560	600	116. 00	110. 80	105. 60	100. 40	95. 20	90. 00	84. 80	79. 60	74. 40	69. 20	
600	640	124. 00	118. 80	113. 60	108. 40	103. 20	98. 00	92. 80	87. 60	82. 40	77. 20	
640	680	132. 00	126. 80	121. 60	116. 40	111. 20	106. 00	100. 80	95. 60	90. 40	85. 20	
680	720	140. 00	134. 80	129. 60	124. 40	119. 20	114. 00	108. 80	103. 60	98. 40	93. 20	
720	760	148. 00	142. 80	137. 60	132. 40	127. 20	122. 00	116. 80	111. 60	106. 40	101. 20	
760	800	156. 00	150. 80	145. 60	140. 40	135. 20	130. 00	124. 80	119. 60	114. 40	109. 20	
\$800 or over		20% of the excess over \$800 plus										
		\$160. 00	\$154. 80	\$149. 60	\$144. 40	\$139. 20	\$134. 00	\$128. 80	\$123. 60	\$118. 40	\$113. 20	

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$5.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

**If the payroll period with respect to an employee is a daily payroll period
or a miscellaneous payroll period**

And the wages divid- ed by the number of days in such period are—		And, (1) such person is a married person claiming none of personal exemption for withholding and has—											
		No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents	Eight depend- ents	Nine depend- ents		
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—									
				No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents		
				Or, (3) such person is a single person and has—									
				No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents		
						Or, (4) such person is a married person claiming all of personal exemption for withholding and has—							
		No depend- ents	One depend- ent			Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents				
		Or, (5) such person is head of a family and has—											
				No depend- ents or one de- pendent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents				
		The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period											
		\$0	\$1	\$0. 10									
1	2	. 30	\$0. 15										
2	3	. 50	. 35	\$0. 15									
3	4	. 70	. 55	. 35	\$0. 20	\$0. 05	\$0. 05	\$0. 05	\$0. 05	\$0. 05	\$0. 05		
4	5	. 90	. 75	. 55	. 40	. 20	. 10	. 10	. 10	. 10	. 10		
5	6	1. 10	. 95	. 75	. 60	. 40	. 25	. 10	. 10	. 10	. 10		
6	7	1. 30	1. 15	. 95	. 80	. 60	. 45	. 30	. 15	. 15	. 15		
7	8	1. 50	1. 35	1. 15	1. 00	. 80	. 65	. 50	. 30	. 15	. 15		
8	9	1. 70	1. 55	1. 35	1. 20	1. 00	. 85	. 70	. 50	. 35	. 20		
9	10	1. 90	1. 75	1. 55	1. 40	1. 20	1. 05	. 90	. 70	. 55	. 35		
10	12	2. 20	2. 05	1. 85	1. 70	1. 50	1. 35	1. 20	1. 00	. 85	. 65		
12	14	2. 60	2. 45	2. 25	2. 10	1. 90	1. 75	1. 60	1. 40	1. 25	1. 05		
14	16	3. 00	2. 85	2. 65	2. 50	2. 30	2. 15	2. 00	1. 80	1. 65	1. 45		
16	18	3. 40	3. 25	3. 05	2. 90	2. 70	2. 55	2. 40	2. 20	2. 05	1. 85		
18	20	3. 80	3. 65	3. 45	3. 30	3. 10	2. 95	2. 80	2. 60	2. 45	2. 25		
20	22	4. 20	4. 05	3. 85	3. 70	3. 50	3. 35	3. 20	3. 00	2. 85	2. 65		
22	24	4. 60	4. 45	4. 25	4. 10	3. 90	3. 75	3. 60	3. 40	3. 25	3. 05		
24	26	5. 00	4. 85	4. 65	4. 50	4. 30	4. 15	4. 00	3. 80	3. 65	3. 45		
26	28	5. 40	5. 25	5. 05	4. 90	4. 70	4. 55	4. 40	4. 20	4. 05	3. 85		
28	30	5. 80	5. 65	5. 45	5. 30	5. 10	4. 95	4. 80	4. 60	4. 45	4. 25		
\$30 or over -----		20% of the excess over \$30 plus											
		\$6. 00	\$5. 85	\$5. 65	\$5. 50	\$5. 30	\$5. 15	\$5. 00	\$4. 80	\$4. 65	\$4. 45		

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$0.15 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

1 “(2) If wages are paid with respect to a period
2 which is not a payroll period, the amount to be withheld
3 shall be that applicable in the case of a miscellaneous
4 payroll period containing a number of days equal to the
5 number of days in the period with respect to which such
6 wages are paid.

7 “(3) In any case in which wages are paid by an
8 employer without regard to any payroll period or other
9 period, the amount to be withheld shall be that appli-
10 cable in the case of a miscellaneous payroll period con-
11 taining a number of days equal to the number of days
12 (including Sundays and holidays) which have elapsed
13 since the date of the last payment of such wages by such
14 employer during the calendar year, or the date of com-
15 mencement of employment with such employer during
16 such year, or January 1 of such year, whichever is the
17 later.

18 “(4) In any case in which the period, or the time
19 described in paragraph (3), in respect of any wages is
20 less than one week, the Commissioner, under regulations
21 prescribed by him with the approval of the Secretary,
22 may authorize an employer to determine the amount to
23 be withheld under the tables applicable in the case of
24 a weekly payroll period, in which case the aggregate of

1 the wages paid to the employee during the calendar
2 week shall be considered the weekly wages.

3 “(5) In determining the amount to be withheld
4 under this subsection, the wages may, at the election of
5 the employer, be computed to the nearest dollar.

6 “(d) TAX PAID BY RECIPIENT.—If the employer, in
7 violation of the provisions of this subchapter, fails to with-
8 hold and collect the tax under this subchapter, and thereafter
9 the tax against which such tax may be credited is paid, the
10 tax so required to be withheld and collected shall not be
11 collected from the employer; but this subsection shall in no
12 case relieve the employer from liability for any penalties or
13 additions to the tax otherwise applicable in respect of such
14 failure to withhold and collect.

15 “(e) NONDEDUCTIBILITY OF TAX IN COMPUTING NET
16 INCOME.—The tax withheld and collected under this sub-
17 chapter shall not be allowed as a deduction either to the
18 employer or to the recipient of the income in computing net
19 income for the purpose of any tax on income imposed by
20 Act of Congress.

21 “(f) REFUNDS OR CREDITS.—

22 “(1) EMPLOYERS.—Where there has been an over-
23 payment of tax under this subchapter, refund or credit
24 shall be made to the employer only to the extent that the

1 amount of such overpayment was not withheld and col-
2 lected under this subchapter by the employer.

3 “(2) EMPLOYEES.—For refund or credit in cases
4 of excessive withholding, see section 322 (a).

5 “(g) INCLUDED AND EXCLUDED WAGES.—If the re-
6 muneratation paid by an employer to an employee for services
7 performed during one-half or more of any payroll period
8 of not more than thirty-one consecutive days constitutes
9 wages, all the remuneration paid by such employer to such
10 employee for such period shall be deemed to be wages; but
11 if the remuneration paid by an employer to an employee for
12 services performed during more than one-half of any such
13 payroll period does not constitute wages, then none of the
14 remuneration paid by such employer to such employee for
15 such period shall be deemed to be wages.

16 “(h) WITHHOLDING EXEMPTION CERTIFICATES.—
17 Every employee receiving wages shall furnish his employer a
18 signed withholding exemption certificate relating to his status
19 for the purpose of computing the withholding exemption, or if
20 the employer exercises his election under section 1622 (b)
21 (relating to wage bracket withholding), for the purpose of
22 computing the amount to be withheld under such subsection.
23 In case of a change of status, a new certificate shall be fur-
24 nished not later than ten days after such change occurs.
25 The certificate shall be in such form and contain such infor-

1 mation as the Commissioner may, with the approval of the
2 Secretary, by regulations prescribed. Such certificate—

3 “(1) If furnished after the date of commencement
4 of employment with the employer, shall take effect with
5 respect to the first payment of wages made on or after
6 the first status determination date which occurs at least
7 thirty days from the date on which such certificate is
8 furnished to the employer, except that at the election of
9 the employer such certificate may be made effective with
10 respect to any previous payment of wages made on or
11 after the date of the furnishing of such certificate. For
12 the purposes of this paragraph the term ‘status deter-
13 mination date’ means January 1 and July 1 of each
14 year.

15 “(2) If furnished on or before the date of com-
16 mencement of employment with the employer, shall take
17 effect as of the beginning of the first payroll period end-
18 ing, or the first payment of wages made without regard
19 to a payroll period, on or after the date on which such
20 certificate is furnished to the employer.

21 A certificate which takes effect under this subsection shall
22 continue in effect with respect to the employer until another
23 such certificate furnished by the employee takes effect under
24 this subsection. If no certificate is in effect under this sub-
25 section with respect to an employee, such employee shall be

1 treated, for the purposes of the withholding exemption, or
2 in case the employer exercises his election under section 1622
3 (c) (relating to wage bracket withholding), for the purpose
4 of computing the amount to be withheld under such subsec-
5 tion, as a married person claiming none of the personal
6 exemption for withholding.

7 “(i) OVERLAPPING PAY PERIODS, AND SO FORTH.—

8 If a payment of wages is made to an employee by an em-
9 ployer—

10 “(1) with respect to a payroll period or other
11 period, any part of which is included in a payroll period
12 or other period with respect to which wages are also paid
13 to such employee by such employer, or

14 “(2) without regard to any payroll period or other
15 period, but on or prior to the expiration of a payroll
16 period or other period with respect to which wages are
17 also paid to such employee by such employer, or

18 “(3) with respect to a period beginning in one
19 and ending in another calendar year,

20 the manner of withholding and the amount to be withheld
21 under this subchapter shall be determined in accordance with
22 regulations prescribed by the Commissioner with the approval
23 of the Secretary under which the withholding exemption
24 allowed to an employee in any calendar year shall approxi-

1 mate the withholding exemption allowable with respect to an
2 annual payroll period.

3 “(j) WITHHOLDING ON BASIS OF AVERAGE WAGES.—
4 The Commissioner may, under regulations prescribed by him
5 with the approval of the Secretary, authorize employers (1)
6 to estimate the wages which will be paid to any employee in
7 any quarter of the calendar year, (2) to determine the
8 amount to be withheld and collected upon each payment of
9 wages to such employee during such quarter as if the appro-
10 priate average of the wages so estimated constituted the
11 actual wages paid, and (3) to withhold and collect upon
12 any payment of wages to such employee during such quarter
13 such amount as may be necessary to adjust the amount actu-
14 ally withheld and collected upon the wages of such employee
15 during such quarter to the amount required to be withheld
16 during such quarter without regard to this subsection.

17 **“SEC. 1623. LIABILITY FOR TAX.**

18 “The employer shall be liable for the payment of the tax
19 required to be withheld and collected under this subchapter,
20 and shall not be liable to any person for the amount of any
21 such payment.

22 **“SEC. 1624. RETURN AND PAYMENT BY GOVERNMENTAL**
23 **EMPLOYER.**

24 “If the employer is the United States, or a State, Terri-
25 tory, or political subdivision thereof, or the District of Co-

1 lumbia, or any agency or instrumentality of any one or more
2 of the foregoing, the return of the amount withheld and col-
3 lected upon any wages may be made by any officer or em-
4 ployee of the United States, or of such State, Territory, or
5 political subdivision, or of the District of Columbia, or of
6 such agency or instrumentality, as the case may be, having
7 control of the payment of such wages, or appropriately
8 designated for that purpose.

9 **"SEC. 1625. RECEIPTS.**

10 “(a) REQUIREMENT.—Every employer required to
11 withhold and collect a tax in respect of the wages of an
12 employee shall furnish to each such employee in respect of
13 his employment during the calendar year, on or before Janu-
14 ary 31 of the succeeding year, or, if his employment is
15 terminated before the close of such calendar year, on the day
16 on which the last payment of wages is made, a written
17 statement showing the wages paid by the employer to such
18 employee during such calendar year, and the amount of the
19 tax withheld and collected under this subchapter in respect of
20 such wages.

21 “(b) STATEMENTS TO CONSTITUTE INFORMATION
22 RETURNS.—The statements required to be furnished by this
23 section in respect of any wages shall be furnished at such
24 other times, shall contain such other information, and shall
25 be in such form as the Commissioner, with the approval of

1 the Secretary, may by regulations prescribe. A duplicate
2 of such statement if made and filed in accordance with regu-
3 lations prescribed by the Commissioner with the approval
4 of the Secretary shall constitute the return required to be
5 made in respect of such wages under section 147.

6 “(c) EXTENSION OF TIME.—The Commissioner, under
7 such regulations as he may prescribe with the approval of
8 the Secretary, may grant to any employer a reasonable
9 extension of time (not in excess of 30 days) with respect to
10 the statements required to be furnished to employees under
11 this section.

12 **“SEC. 1626. PENALTIES.**

13 “(a) PENALTIES FOR FRAUDULENT RECEIPT OR
14 FAILURE TO FURNISH RECEIPT.—In lieu of any other
15 penalty provided by law (except the penalty provided by
16 subsection (b) of this section), any person required under
17 the provisions of section 1625 to furnish a receipt in respect
18 of tax withheld pursuant to this subchapter who willfully
19 furnishes a false or fraudulent receipt, or who willfully fails
20 to furnish a receipt in the manner, at the time, and showing
21 the information required under section 1625, or regulations
22 prescribed thereunder, shall for each such failure, upon con-
23 viction thereof be fined not more than \$1,000, or imprisoned
24 for not more than one year, or both.

25 “(b) ADDITIONAL PENALTY.—In addition to the pen-

1 alty provided by subsection (a) of this section, any person
2 required under the provisions of section 1625 to furnish a
3 receipt in respect of tax withheld pursuant to this subchapter
4 who willfully furnishes a false or fraudulent receipt, or who
5 willfully fails to furnish a receipt in the manner, at the
6 time, and showing the information required under section
7 1625, or regulations prescribed thereunder, shall for each
8 such failure be subject to a civil penalty of not more than \$50.

9 “(c) FAILURE OF EMPLOYER TO FILE RETURN OR
10 PAY TAX.—In case of any failure to make and file return
11 or pay the tax required by this subchapter, within the time
12 prescribed by law or prescribed by the Commissioner in
13 pursuance of law, unless it is shown that such failure is due
14 to reasonable cause and not due to willful neglect, the addi-
15 tion to the tax shall not be less than \$10.

16 “(d) PENALTIES IN RESPECT OF WITHHOLDING
17 EXEMPTION CERTIFICATES.—Any individual required to
18 supply information to his employer under section 1622 (h)
19 who willfully supplies false or fraudulent information, or
20 who willfully fails to supply information thereunder which
21 would require an increase in the tax to be withheld under
22 section 1622, shall, in lieu of any penalty otherwise provided,
23 upon conviction thereof, be fined not more than \$500, or
24 imprisoned for not more than one year, or both.

1 **"SEC. 1627. OTHER LAWS APPLICABLE.**

2 "All provisions of law, including penalties, applicable
3 with respect to the tax imposed by section 1400 shall, insofar
4 as applicable and not inconsistent with the provisions of this
5 subchapter, be applicable with respect to the tax under this
6 subchapter.

7 **"SUBCHAPTER E—GENERAL PROVISIONS**

8 **"SEC. 1630. VERIFICATION OF RETURNS, ETC.**

9 "(a) **POWER OF COMMISSIONER TO REQUIRE.**—The
10 Commissioner, under regulations prescribed by him with the
11 approval of the Secretary, may require that any return,
12 statement, or other document required to be filed under this
13 chapter shall contain or be verified by a written declaration
14 that it is made under the penalties of perjury, and such
15 declaration shall be in lieu of any oath otherwise required.

16 "(b) **PENALTIES.**—Every person who willfully makes
17 and subscribes any return, statement, or other document,
18 which contains or is verified by a written declaration that it
19 is made under the penalties of perjury, and which he does
20 not believe to be true and correct as to every material matter,
21 shall be guilty of a felony, and, upon conviction thereof, shall
22 be subject to the penalties prescribed for perjury in section
23 125 of the Criminal Code.

1 "SEC. 1631. USE OF GOVERNMENT DEPOSITARIES IN CON-
 2 NECTION WITH PAYMENT OF TAXES.

3 "The Secretary may authorize incorporated banks or
 4 trust companies which are depositaries or financial agents of
 5 the United States to receive any taxes under this chapter in
 6 such manner, at such times, and under such conditions as he
 7 may prescribe; and he shall prescribe the manner, times, and
 8 conditions under which the receipt of such taxes by such
 9 depositaries and financial agents is to be treated as payment
 10 of such taxes to the collectors."

11 (b) TECHNICAL AMENDMENTS.—

12 (1) AMENDMENT TO SECTION 34.—Section 34 of
 13 the Internal Revenue Code (cross reference) is amended
 14 by striking out "453, 454, and 466 (e)" and inserting
 15 in lieu thereof "453 and 454".

16 (2) AMENDMENT TO SECTION 322.—Section 322
 17 (f) of the Internal Revenue Code (cross reference) is
 18 amended to read as follows:

19 "(f) TAX WITHHELD AT SOURCE.—For refund or
 20 credit in case of withholding agent, see section 143 (f).
 21 For refund or credit in case of employer required to withhold
 22 tax on wages, see section 1622 (f)."

23 (c) EXPIRATION DATE FOR WITHHOLDING AT SOURCE
 24 ON WAGES UNDER SUBCHAPTER D OF CHAPTER 1.—Sec-
 25 tion 476 of the Internal Revenue Code (prescribing the

1 expiration date for the taxes imposed by Subchapter D) is
2 amended to read as follows:

3 **"SEC. 476. EXPIRATION DATE.**

4 "The tax imposed by Part I of this subchapter shall not
5 apply with respect to any taxable year commencing after the
6 date of cessation of hostilities in the present war. The tax
7 imposed by Part II of such subchapter shall not apply with
8 respect to any wages paid after June 30, 1943."

9 (d) **EFFECTIVE DATE.**—The amendments made by
10 subsections (a) and (b) shall take effect July 1, 1943, and
11 shall be applicable to all wages paid on or after such date.

12 **SEC. 3. CREDIT FOR TAX WITHHELD AT SOURCE.**

13 Section 35 of the Internal Revenue Code (relating to
14 the credit for tax withheld on wages) is amended to read as
15 follows:

16 **"SEC. 35. CREDIT FOR TAX WITHHELD ON WAGES.**

17 "The amount withheld and collected as tax under Sub-
18 chapter D of Chapter 9 during any calendar year upon the
19 wages of any individual shall be allowed as a credit to the
20 recipient of the income against the tax imposed by this
21 chapter for the taxable year beginning in such calendar year.
22 If more than one taxable year begins in any such calendar
23 year such amount shall be allowed as a credit against the
24 tax for the last taxable year so beginning."

1 SEC. 4. REFUNDS.

2 (a) EXCESSIVE WITHHOLDING, ETC.—Section 322
3 (a) (2) of the Internal Revenue Code (relating to excessive
4 withholding) is amended to read as follows:

5 “(2) EXCESSIVE WITHHOLDING.—Where the
6 amount of the tax withheld at the source under Part II
7 of Subchapter D or Subchapter D of Chapter 9 exceeds
8 the taxes imposed by this chapter against which the tax
9 so withheld may be credited under section 35 or 466 (e),
10 the amount of such excess shall be credited against any
11 income tax or installment thereof then due from the
12 taxpayer, and any balance thereof shall be refunded
13 immediately to the taxpayer.

14 “(3) CREDITS AGAINST ESTIMATED TAX.—The
15 Commissioner is authorized to prescribe, with the ap-
16 proval of the Secretary, regulations providing for the
17 crediting against the estimated tax for any taxable year
18 of the amount determined by the taxpayer or the Com-
19 missioner to be an overpayment of the tax for a pre-
20 ceding taxable year.”

21 (b) PRESUMPTION AS TO DATE OF PAYMENT.—Sec-
22 tion 322 (e) of the Internal Revenue Code (relating to
23 presumption as to date of payment) is amended to read as
24 follows:

25 “(e) PRESUMPTION AS TO DATE OF PAYMENT.—For

1 the purposes of this section, any tax actually withheld and
 2 collected at the source during any calendar year under Part
 3 II of Subchapter D or under Subchapter D of Chapter 9
 4 shall, in respect of the recipient of the income, be deemed to
 5 have been paid by him on the fifteenth day of the third month
 6 following the close of his taxable year with respect to which
 7 such tax is allowable as a credit under section 35 or section
 8 466 (e) ; except that in the case of a nonresident alien indi-
 9 vidual, it shall be deemed to have been paid by him on the
 10 fifteenth day of the sixth month following the close of such
 11 taxable year. For the purposes of this section, any amount
 12 paid as estimated tax for any taxable year shall be deemed to
 13 have been paid not earlier than the fifteenth day of the third
 14 month following the close of such taxable year.”

15 (c) DELEGATION OF AUTHORITY TO COLLECTORS TO
 16 MAKE REFUNDS.—Section 3770 (a) of the Internal Reve-
 17 nue Code (relating to authority to make refunds) is amended
 18 (1) by striking out “(4)” at the beginning of paragraph
 19 (4) and inserting in lieu thereof “(5)” ; and (2) by
 20 inserting after paragraph (3) the following:

21 “(4) DELEGATION OF AUTHORITY TO COL-
 22 LECTORS TO MAKE REFUNDS.—The Commissioner is
 23 authorized to delegate, with the approval of the Secre-
 24 tary, to collectors any authority, duty, or function which
 25 the Commissioner is authorized or required to exercise

1 or perform under paragraph (1), (2), or (3) of this
 2 subsection, or under section 322 or 1027, where the
 3 amount involved does not exceed \$1,000.”

4 (d) OVERPAYMENTS.—Section 3770 of the Internal
 5 Revenue Code (relating to authority to make credits and
 6 refunds) is amended by inserting at the end thereof the
 7 following:

8 “(c) RULE WHERE NO TAX LIABILITY.—An amount
 9 paid as tax shall not be considered not to constitute an over-
 10 payment solely by reason of the fact that there was no tax
 11 liability in respect of which such amount was paid.”

12 (e) CROSS-REFERENCE.—The last subsection of section
 13 3771 of the Internal Revenue Code (relating to interest on
 14 overpayments) is amended to read as follows:

15 “(f) ESTIMATED TAX AND TAX WITHHELD AT
 16 SOURCE.—For date of payment in respect of estimated tax
 17 and of tax withheld at source on wages, see section 322 (e).”

18 (f) REVIEW OF ALLOWANCE OF INTEREST.—Section
 19 3790 of the Internal Revenue Code (prohibiting administra-
 20 tive review of Commissioner’s decisions) is amended by
 21 inserting at the end thereof the following: “In the absence of
 22 fraud or mistake in mathematical calculation, the allowance
 23 or nonallowance by the Commissioner, of interest on any
 24 credit or refund under the internal revenue laws shall not,
 25 except as provided in Chapter 5, be subject to review by any

1 other administrative or accounting officer, employee, or agent
2 of the United States.”

3 **SEC. 5. CURRENT PAYMENT OF TAX NOT WITHHELD AT**
4 **SOURCE.**

5 (a) IN GENERAL.—The Internal Revenue Code is
6 amended by striking out sections 58, 59, and 60 and inserting
7 in lieu thereof the following:

8 **“SEC. 58. DECLARATION OF ESTIMATED TAX BY INDIVIDUALS.**
9

10 **“(a) REQUIREMENT OF DECLARATION.**—Every indi-
11 vidual (other than an estate or trust and other than a non-
12 resident alien) shall, at the time during the taxable year
13 prescribed in subsection (d), make a declaration of his
14 estimated tax for the taxable year if—

15 **“(1)** his gross income from wages (as defined in
16 section 1621)

17 **“(A)** in case such individual is single or mar-
18 ried but not living with husband or wife: can reason-
19 ably be expected to exceed \$2,700 for the taxable
20 year; or did exceed \$2,700 for the preceding taxable
21 year; or

22 **“(B)** in case such individual is married and
23 living with husband or wife: can when added to the
24 gross income which can reasonably be expected to
25 be received by such husband or wife from wages

1 (as, so defined) reasonably be expected to exceed
2 \$3,500 for the taxable year; or did when added
3 to the gross income of such husband or wife from
4 wages (as so defined) for the preceding taxable
5 year, exceed \$3,500 for such preceding taxable year;
6 or

7 “(2) his gross income from sources other than
8 wages (as defined in section 1621)

9 “(A) in case such individual is single or mar-
10 ried but not living with husband or wife: can reason-
11 ably be expected to exceed \$100 for the taxable
12 year and his gross income to be such as will require
13 the making of a return for the taxable year under
14 section 51; or did exceed \$100 for the preceding
15 taxable year and such individual either was required
16 to make a return under section 51 or 455 for such
17 preceding taxable year or would have been so re-
18 quired if he had been single during the whole of
19 such preceding taxable year; or

20 “(B) in case such individual is married and
21 living with husband or wife: can when added to
22 the gross income which can reasonably be expected
23 to be received by husband or wife from such sources,
24 reasonably be expected to exceed \$100 for the tax-
25 able year and the aggregate gross income of such

1 husband and wife can reasonably be expected to
2 be such as will require the making of a return under
3 section 51 or 455; or did, when added to the gross
4 income of such husband or wife from such sources for
5 the preceding taxable year, exceed 100 for such
6 preceding taxable year and such individual would
7 have been required to make a return under section
8 51 or 455 for such preceding taxable year if he
9 had been married and living with husband or wife
10 during the whole of such preceding taxable year.

11 “(b) CONTENTS OF DECLARATION.—In the declara-
12 tion required under subsection (a) the individual shall state—

13 “(1) the amount which he estimates as the amount
14 of tax under sections 11 and 12, or 400, as the case may
15 be, and section 450, for the taxable year, without regard
16 to any credits under sections 32, 35, and 466 (e) ;

17 “(2) the amount which he estimates as the credits
18 for the taxable year under sections 32, 35, and 466 (e) ;
19 and

20 “(3) the excess of the amount estimated under
21 paragraph (1) over the amount estimated under para-
22 graph (2), which excess for the purposes of this chapter
23 shall be held and considered the estimated tax for the
24 taxable year.

25 The declaration shall also contain such other information

1 for the purposes of carrying out the provisions of this chap-
2 ter as the Commissioner, with the approval of the Secretary,
3 may by regulations prescribe, and shall contain or be verified
4 by a written statement that it is made under the penalties of
5 perjury.

6 “(c) JOINT DECLARATION BY HUSBAND AND WIFE.—

7 In the case of a husband and wife living together, a single
8 declaration under this section may be made by them jointly,
9 in which case the liability with respect to the estimated tax
10 shall be joint and several. No joint declaration may be
11 made if either the husband or wife is a nonresident alien.
12 If a joint declaration is made but a joint return is not made
13 for the taxable year, the estimated tax for such year may be
14 treated as the estimated tax of either the husband or the
15 wife, or may be divided between them.

16 “(d) TIME AND PLACE FOR FILING.—The declaration
17 required under subsection (a) shall be filed on or before
18 the fifteenth day of the third month of the taxable year,
19 except that if the requirements of subsection (a) are first
20 met after such date, the declaration shall be filed on or
21 before the fifteenth day of the last month of the quarter of
22 the taxable year in which such requirements are first met.
23 An individual may make amendments or revisions of a dec-
24 laration filed under this subsection, under regulations pre-
25 scribed by the Commissioner with the approval of the

1 Secretary. If so made, such amendments or revisions shall
2 be filed on or before the fifteenth day of the last month of
3 any quarter of the taxable year subsequent to that in which
4 the declaration was filed and in which no previous amend-
5 ments or revisions have been made or filed. Declarations
6 and amendments and revisions thereof shall be filed with the
7 Collector specified in section 53 (b) (1).

8 “(e) EXTENSION OF TIME.—The Commissioner may
9 grant a reasonable extension of time for filing declarations
10 and paying the estimated tax, under such rules and regula-
11 tions as he shall prescribe with the approval of the Secretary.
12 Except in the case of taxpayers who are abroad, no such
13 extension shall be for more than six months.

14 “(f) PERSONS UNDER DISABILITY.—If the taxpayer
15 is unable to make his own declaration, the declaration shall
16 be made by a duly authorized agent or by the guardian or
17 other person charged with the care of the person or property
18 of such taxpayer.

19 “(g) SIGNATURE PRESUMED CORRECT.—The fact that
20 an individual's name is signed to a filed declaration shall
21 be prima facie evidence for all purposes that the declaration
22 was actually signed by him.

23 “(h) PUBLICITY OF DECLARATION.—For the purposes
24 of section 55 (relating to publicity of returns), a declaration

1 of estimated tax shall be held and considered a return under
2 this chapter.

3 **"SEC. 59. PAYMENT OF ESTIMATED TAX.**

4 “(a) IN GENERAL.—The estimated tax shall be paid in
5 four equal installments except that—

6 “(1) if the declaration is filed (otherwise than pur-
7 suant to an extension of time) after the fifteenth day of
8 the third month of the taxable year, the estimated tax
9 shall be paid in equal installments the number of which
10 is equal to the number of quarters remaining in the tax-
11 able year (including the quarter in which the declaration
12 is filed) ; and

13 “(2) if any amendment or revision of a declaration
14 is filed, the remaining installments shall be ratably in-
15 creased or decreased, as the case may be, to reflect the
16 increase or decrease, as the case may be, in the estimated
17 tax by reason of such amendment or revision; and

18 “(3) at the election of the individual, any install-
19 ment of the estimated tax may be paid prior to the date
20 prescribed for its payment.

21 One installment of the estimated tax shall be paid at the time
22 of making the declaration, and an installment thereof shall
23 be paid on the fifteenth day of the last month of each suc-
24 ceeding quarter of the taxable year. Payment of any install-

1 ment of the estimated tax shall be considered payment on
2 account of the tax for the taxable year.

3 “(b) ASSESSMENT.—The estimated tax shall be assessed
4 only to the extent paid.

5 **“SEC. 60. SPECIAL RULES FOR APPLICATION OF SECTIONS**
6 **58 AND 59.**

7 “(a) FARMERS.—In the case of an individual whose
8 estimated gross income from farming for the taxable year
9 is at least 80 per centum of the total estimated gross income
10 from all sources for the taxable year, in lieu of the time
11 prescribed in section 58 (d), the declaration for the taxable
12 year may be made at any time on or before the fifteenth
13 day of the last month of the taxable year.

14 “(b) APPLICATION TO SHORT TAXABLE YEARS.—
15 The application of sections 58, 59, and 294 (a) (3), (4),
16 and (5) to taxable years of less than twelve months shall be
17 as prescribed in regulations prescribed by the Commissioner
18 with the approval of the Secretary.

19 “(c) APPLICATION TO TAXABLE YEARS BEGINNING
20 IN 1943.—If the taxable year is the calendar year 1943,
21 the fifteenth day of September, 1943, shall be substituted for
22 the fifteenth day of March for the purposes of section 58 (d).
23 If the taxable year begins in 1943 after January 1, the date
24 which shall be substituted for the fifteenth day of the third

1 month of the taxable year for the purposes of section 58 (d)
 2 shall be prescribed by regulations prescribed by the Com-
 3 missioner with the approval of the Secretary. In either
 4 case installments of the estimated tax for such taxable year
 5 payable after September 1, 1943, shall be ratably decreased
 6 to reflect the payments on account of a taxable year beginning
 7 in 1942 which are treated as payments on account of the
 8 estimated tax for a taxable year beginning in 1943."

9 (b) ADDITIONS TO TAX.—Section 294 (a) of the In-
 10 ternal Revenue Code (relating to additions to tax in case of
 11 nonpayment) is amended by inserting at the end thereof
 12 the following:

13 "(3) FAILURE TO FILE DECLARATION OF ESTI-
 14 MATED TAX.—In the case of a failure to make and file a
 15 declaration of estimated tax within the time prescribed,
 16 there shall be added to the tax an amount equal to 10 per
 17 centum of the tax.

18 "(4) FAILURE TO PAY INSTALLMENT OF ESTI-
 19 MATED TAX.—In the case of the failure to pay an
 20 installment of the estimated tax within the time pre-
 21 scribed, there shall be added to the tax \$2.50 or $2\frac{1}{2}$ per
 22 centum of the tax, whichever is the greater, for each
 23 installment with respect to which such failure occurs.

24 "(5) SUBSTANTIAL UNDERESTIMATE OF ESTI-
 25 MATED TAX.—If 80 per centum of the tax (determined

without regard to the credits under sections 32, 35, and 466 (e)), in the case of individuals other than farmers exercising an election under section 60 (a) , or $66\frac{2}{3}$ per centum of such tax so determined in the case of such farmers, exceeds the estimated tax (increased by such credits) , there shall be added to the tax an amount equal to such excess, or equal to 6 per centum of the amount by which such tax so determined exceeds the estimated tax so increased, whichever is the lesser. This paragraph shall not apply to the taxable year in which falls the death of the taxpayer."

(c) PENALTIES.—Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after "return" wherever appearing therein the words "or declaration", and (2) by inserting before "tax" wherever appearing therein the words "estimated tax or".

(d) PAYMENT BY INSTALLMENTS.—Section 56 (b) of the Internal Revenue Code (relating to installment payments) is amended by striking out "The" at the beginning thereof and inserting in lieu thereof "Except in the case of an individual (other than an estate or trust and other than a nonresident alien) , the".

(e) TAXABLE YEARS TO WHICH APPLICABLE.—The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1942.

1 **SEC. 6. RELIEF FROM DOUBLE PAYMENTS IN 1943.**

2 (a) **IN GENERAL.**—This subsection shall be applicable
 3 with respect to the taxable year 1942 but shall not take effect
 4 until September 1, 1943. The tax imposed by Chapter 1
 5 of the Internal Revenue Code upon any individual (other
 6 than an estate or trust and other than a nonresident alien)
 7 shall, in lieu of that otherwise imposed, be a tax determined
 8 in accordance with the following schedule:

If the tax determined without regard to this subsection is

More Than	But Not More Than	The tax shall be
\$0	\$60	\$0.
60	600	50% of excess over \$60.
600	1,000	\$270, plus 60% of excess over \$600.
1,000	1,400	\$510, plus 65% of excess over \$1,000.
1,400	2,000	\$770, plus 69% of excess over \$1,400.
2,000	2,500	\$1,184, plus 71% of excess over \$2,000.
2,500	3,000	\$1,539, plus 73% of excess over \$2,500.
3,000	3,500	\$1,904, plus 75% of excess over \$3,000.
3,500	4,000	\$2,279, plus 77% of excess over \$3,500.
4,000	6,000	\$2,664, plus 78% of excess over \$4,000.
6,000	7,000	\$4,224, plus 79% of excess over \$6,000.
7,000	8,000	\$5,014, plus 81% of excess over \$7,000.
8,000	10,000	\$5,824, plus 82% of excess over \$8,000.
10,000	15,000	\$7,464, plus 83% of excess over \$10,000.
15,000	30,000	\$11,614, plus 85% of excess over \$15,000.
30,000	45,000	\$24,364, plus 84% of excess over \$30,000.
45,000	60,000	\$36,964, plus 83% of excess over \$45,000.
60,000	130,000	\$49,414, plus 81% of excess over \$60,000.
130,000	160,000	\$106,114, plus 80% of excess over \$130,000.
160,000	200,000	\$130,114, plus 82% of excess over \$160,000.
200,000	240,000	\$162,914, plus 83% of excess over \$200,000.
240,000	255,000	\$196,114, plus 84% of excess over \$240,000.
255,000	290,000	\$208,714, plus 85% of excess over \$255,000.
290,000	385,000	\$238,464, plus 86% of excess over \$290,000.
385,000	525,000	\$320,164, plus 87% of excess over \$385,000.
525,000	715,000	\$441,964, plus 88% of excess over \$525,000.
715,000	1,055,000	\$609,164, plus 89% of excess over \$715,000.
1,055,000	2,150,000	\$911,764, plus 90% of excess over \$1,055,000.
2,150,000	4,200,000	\$1,897,264, plus 91% of excess over \$2,150,000.
4,200,000	4,500,000	\$3,762,764, plus 92% of excess over \$4,200,000.
4,500,000	-----	\$4,038,764, plus 92.05% of excess over \$4,500,000.

1 (b) TIME FOR PAYMENT OF REDUCED 1942 TAX.—In
2 lieu of the time prescribed in section 56 of the Internal Rev-
3 enue Code for the payment of the tax imposed by Chapter 1
4 of the Internal Revenue Code, as reduced under subsection
5 (a), upon an individual (other than an estate or trust and
6 other than a nonresident alien) for a taxable year beginning
7 in 1942, such tax as so reduced shall be paid as follows:
8 One-third thereof on or before the fifteenth day of the twenty-
9 seventh month following the beginning of such taxable year,
10 one-third on or before the fifteenth day of the thirty-ninth
11 month following the beginning of such taxable year, and
12 one-third on or before the fifteenth day of the fifty-first month
13 following the beginning of such taxable year.

14 (c) TREATMENT OF PAYMENTS ON ACCOUNT OF 1942
15 TAX.—Any payment (other than interest and additions to
16 the tax) made on account of the tax imposed by Chapter 1
17 of the Internal Revenue Code for the taxable year 1942 upon
18 a taxpayer any part of whose liability for such tax is dis-
19 charged under subsection (a) shall be considered as payment
20 on account of the estimated tax for the taxable year 1943.
21 In the case of any extension of time for the payment of
22 such tax granted by the Commissioner prior to September
23 1, 1943, payment of the portion thereof which if such ex-
24 tension had not been granted would have been payable
25 under section 56 (b) prior to such date shall be made not-

1 withstanding subsection (a), but the foregoing provisions of
2 this subsection shall apply to any such payment. In case
3 the taxpayer becomes delinquent, prior to September 1,
4 1943, in the payment of such tax or any installment thereof,
5 subsection (a) shall not relieve the taxpayer of his liability
6 for the tax, but the foregoing provisions of this subsection
7 shall be applicable to payment of such liability. If any
8 payment on account of the tax imposed by such chapter for
9 the taxable year 1942 is made pursuant to a joint return
10 made by husband and wife for such taxable year, and such
11 payment is considered as a payment on account of the
12 estimated tax for the taxable year 1943, such payment may
13 be treated as a payment on account of the estimated tax of
14 either the husband or the wife for such taxable year or may
15 be divided between them.

16 (d) EXTENSION OF TIME FOR PAYMENT OF REDUCED
17 1942 TAX.—Where it is shown to the satisfaction of the
18 Commissioner that the payment of any installment under
19 subsection (c) upon the date prescribed for the payment
20 thereof will result in undue hardship to the taxpayer the Com-
21 missioner, under regulations prescribed by the Commissioner,
22 with the approval of the Secretary, may grant an extension
23 for the payment of such installment for a period not in excess
24 of eighteen months, and, in exceptional cases, for a further

1 period of not in excess of eighteen months. If an extension
2 is granted, the Commissioner may require a taxpayer to fur-
3 nish a bond in such amount, not exceeding double the amount
4 of the installment, with such sureties, as the Commissioner
5 deems necessary, conditioned upon the payment of the in-
6 stallment in accordance with the terms of the extension. If
7 the time for the payment of any installment is extended, there
8 shall be collected, as a part of the tax, interest on the install-
9 ment at the rate of 6 per centum per annum for the period of
10 the extension, and no other interest shall be collected on such
11 installment for such period. If the installment the time for
12 the payment of which is so extended is not paid in accord-
13 ance with the terms of the extension, there shall be collected,
14 as a part of the tax, interest on the unpaid amount at the
15 rate of 6 per centum per annum for the period from the time
16 fixed by the terms of the extension for its payment until it
17 is paid, and no other interest shall be collected on such unpaid
18 amount for such period.

19 (e) For the purposes of this section the term "taxable
20 year 1942" means a taxable year beginning in the calendar
21 year 1942, but shall not include any period of less than
22 twelve months unless occasioned by the death of the tax-
23 payer or unless there is no taxable year of twelve months
24 beginning in such calendar year.

1 **SEC. 7. DISCOUNT FOR ADVANCE PAYMENT OF DEFERRED**
2 **1942 TAX.**

3 In addition to the credits against the tax allowed by
4 Chapter 1 of the Internal Revenue Code, there shall be al-
5 lowed as a credit against the tax imposed by such chapter
6 upon an individual with respect to whom and for the taxable
7 year with respect to which section 5 (a) is applicable—

8 (1) an amount equal to 6 per centum of such tax
9 if such tax is paid on or before the fifteenth day of the
10 twenty-seventh month following the beginning of such
11 taxable year, or

12 (2) an amount equal to 2 per centum of such tax
13 if the first installment thereof is paid within the time
14 prescribed in section 5 (b) and the last two installments
15 are paid on or before the fifteenth day of the thirty-ninth
16 month following the beginning of such taxable year.

17 **SEC. 8. ADDITIONAL ALLOWANCE FOR MEMBERS OF ARMED**
18 **FORCES.**

19 (a) **IN GENERAL.**—Section 22 (b) (13) of the In-
20 ternal Revenue Code (relating to additional allowance for
21 military and naval personnel in computing net income) is
22 amended to read as follows:

23 “(13) **ADDITIONAL ALLOWANCE FOR MILITARY**
24 **AND NAVAL PERSONNEL.**—In the case of compensation
25 received during any taxable year and before the termi-

1 nation of the present war as proclaimed by the President,
 2 by a member of the military or naval forces of the
 3 United States for active service in such forces during
 4 such war, so much of such compensation as does not
 5 exceed \$1,500."

6 (b) EFFECTIVE DATE.—The amendment made by sub-
 7 section (a) shall apply with respect to taxable years begin-
 8 ning after December 31, 1942.

9 **SEC. 9. ABATEMENT OF TAX FOR MEMBERS OF ARMED**
 10 **FORCES UPON DEATH.**

11 Chapter 1 of the Internal Revenue Code is amended by
 12 inserting after section 404 the following new supplement:

13 **"Supplement U—Abatement of Tax for Members of Armed**
 14 **Forces Upon Death**

15 **"SEC. 421. ABATEMENT OF TAX FOR MEMBERS OF ARMED**
 16 **FORCES UPON DEATH.**

17 "In the case of any individual who dies on or after
 18 December 7, 1941, while in active service as a member of
 19 the military or naval forces of the United States and prior
 20 to the termination of the present war as proclaimed by the
 21 President, the tax under this chapter (including interest,
 22 additions to the tax, and additional amounts) attributable to
 23 earned net income (as defined in section 25 (a) (4)) re-
 24 ceived or accrued by him shall not be assessed, and if assessed,
 25 the assessment shall be abated, and if collected shall be

1 credited or refunded as an overpayment, in the following
2 amounts and for the following taxable years:

3 “(1) if such individual entered upon such service
4 before the commencement of the taxable year beginning
5 in 1943:

6 “(A) the entire amount of the tax so attribu-
7 table for the taxable year in which falls the date on
8 which he entered upon such service or September
9 16, 1940, whichever date is the later;

10 “(B) the entire amount of the tax so attribu-
11 table for all subsequent taxable years during which
12 he was in such service; and

13 “(C) that portion of the tax so attributable for
14 the taxable year last preceding the date on which he
15 entered upon such service or September 16, 1940,
16 whichever date is the later, which bears the same
17 ratio to the total tax so attributable as the number of
18 quarters in the taxable year described in subpara-
19 graph (A) subsequent to the date on which he en-
20 tered upon such service or September 16, 1940,
21 whichever date is the later, bears to four; or

22 “(2) if such individual entered upon such service
23 during the taxable year beginning in 1943:

24 “(A) that portion of the tax for the taxable
25 year beginning in 1943, which bears the same ratio

1 to the total tax so reduced as the number of quarters
2 in such taxable year subsequent to the date on
3 which he entered upon such service bears to four,
4 to the extent that such portion is so attributable;

5 “(B) the entire amount of the tax so at-
6 tributable for all subsequent taxable years during
7 which he was in such service; and

8 “(C) the entire amount of the tax so attribut-
9 able for the taxable year beginning in 1942; or

10 “(3) if such individual entered upon such service
11 after the close of the taxable year beginning in 1943:

12 “(A) that portion of the tax for the taxable
13 year beginning in 1942 so attributable which falls
14 due (otherwise than by an extension of time)
15 subsequent to the date of entering upon such
16 service; and

17 “(B) the entire amount of the tax so attribut-
18 able for all taxable years during the whole of which
19 he was in such service.

20 The computations required by this section shall be made in
21 conformity with regulations prescribed by the Commissioner
22 with the approval of the Secretary. For the purposes of this
23 section, a fractional part of a quarter shall be disregarded
24 unless it exceeds fifteen days, in which case it shall be con-
25 sidered a quarter.”

1 **SEC. 10. ASSISTANT COMMISSIONERS.**

2 Subchapter B of Chapter 39 of the Internal Revenue
3 Code is amended to read as follows: 8

4 **"SUBCHAPTER B—ASSISTANT COMMISSIONERS**

5 **"SEC. 3905. APPOINTMENT.**

6 "There shall be in the Bureau of Internal Revenue two
7 Assistant Commissioners, who shall be appointed by the
8 President, by and with the advice and consent of the Senate.

9 **"SEC. 3906. DUTIES.**

10 "The Assistant Commissioners shall perform such duties
11 as may be prescribed by the Commissioner or required by
12 law."

13 **SEC. 11. EXTENSION OF TIME IN CONNECTION WITH RE-**
14 **LEASE OF POWERS OF APPOINTMENT.**

15 Section 403 (d) (3) of the Revenue Act of 1942 is
16 amended by striking out "July 1, 1943" wherever it appears
17 and inserting in lieu thereof "March 1, 1944"; and section
18 452 (c) of the Revenue Act of 1942 is amended to read as
19 follows:

20 **"(c) RELEASE BEFORE MARCH 1, 1944.—**

21 **"(1) A release of a power to appoint before March**
22 **1, 1944, shall not be deemed a transfer of property by**
23 **the individual possessing such power.**

1 “(2) This subsection shall apply to all calendar
2 years prior to 1944 and to that part of the calendar year
3 1944 prior to March 1, 1944.”

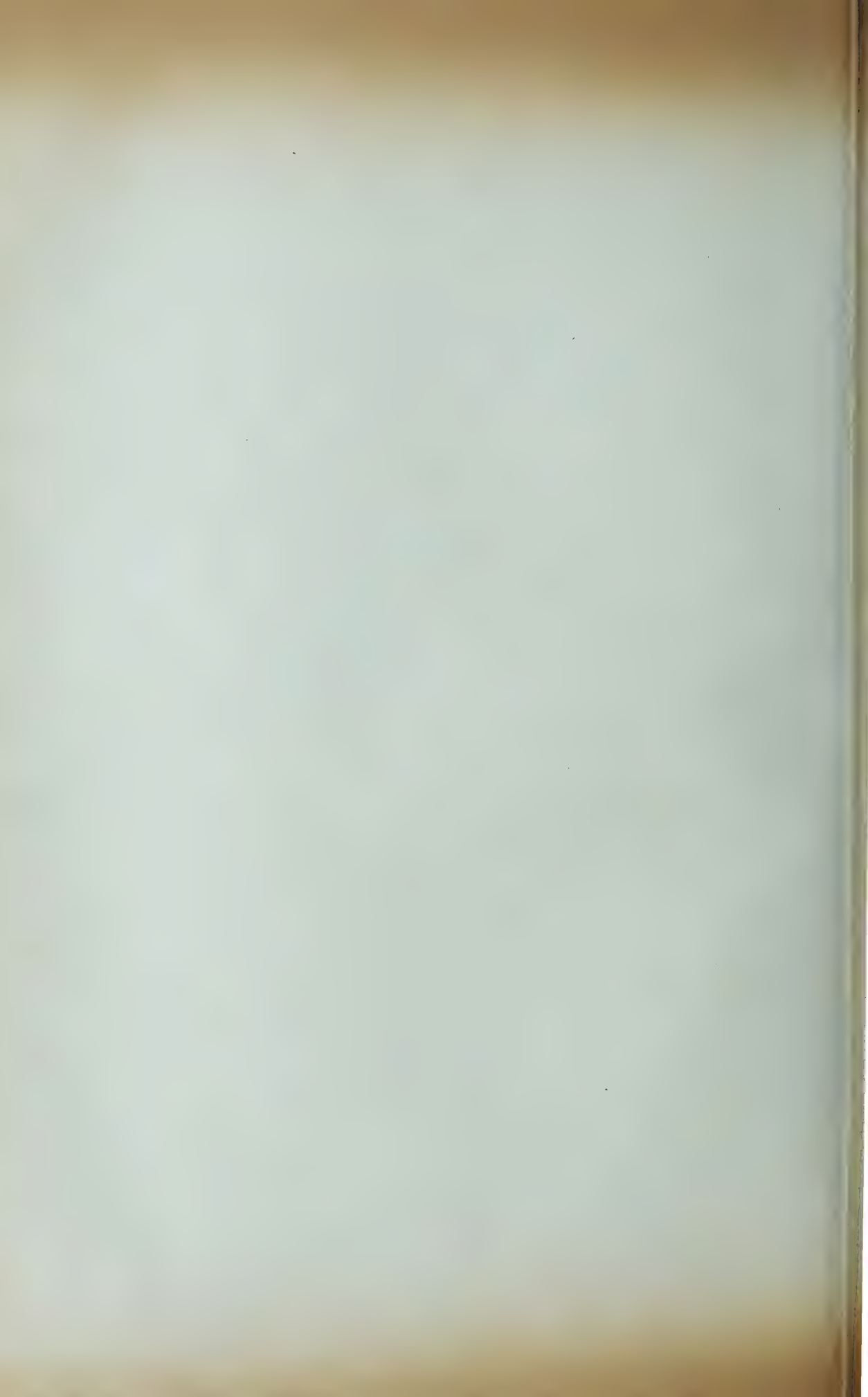
AMENDMENT

(IN THE NATURE OF A SUBSTITUTE)

Intended to be proposed by Mr. CONNALLY to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes.

MAY 13 (legislative day, MAY 12), 1943

Ordered to lie on the table and to be printed



Provided, That any such advances or reimbursements shall be considered as nonadministrative expenses of the Corporation. For the purpose of such audit, the representatives of the General Accounting Office shall have access to all papers, books, files, accounts, financial records, warehouses, and all other things, property and places belonging to or under the control of or used or employed by the Corporation, and shall be afforded full facilities for verifying transactions with and balances in depositories and with fiscal agents; *Provided*, That the certified financial reports and schedules of the fiscal agents of the Corporation based on commercial audits in the usual course of business may be accepted by the General Accounting Office in its audit of the financial transactions of the Corporation as final and not subject to further audit verification.

"(d) Any examination of the corporate records shall be made at the place or places where such records are normally kept in the transaction of the corporate business, and the Corporation shall retain custody of contracts, vouchers, schedules, or other financial or accounting documents, either original or duplicate, relating to its nonadministrative transactions."

Sec. 4. The Federal Reserve banks are hereby authorized to act as depositories, custodians, and fiscal agents for the Commodity Credit Corporation.

The letter addressed by the War Food Administrator to the Vice President in relation to the bill is as follows:

DEPARTMENT OF AGRICULTURE,
WAR FOOD ADMINISTRATION,
Washington, May 10, 1943.

The Honorable the VICE PRESIDENT.

DEAR MR. VICE PRESIDENT: There is transmitted herewith, for the consideration of the Senate, a draft of a proposed bill relating to Commodity Credit Corporation, entitled, "A bill to continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes."

The proposed legislation combines in one bill several matters of importance to Commodity Credit Corporation in order to bring them to the attention of Congress at one time.

The proposed bill provides for an increase of \$1,000,000,000 in the authorized borrowing power of the Corporation. This additional borrowing power is needed in order to finance the activities of the Corporation as a war agency and to enable the Corporation to carry out loan, purchase and other operations relating to cotton, corn, wheat, rice, tobacco, peanuts, potatoes, butter, cheese, hemp, flax, naval stores, soybeans, vegetable seeds, sugar, vegetables for canning, wool, and other commodities and production facilities. These operations are designed to bring about the necessary production of commodities now vital to the war effort and to afford price support to the producers of such commodities.

By the act of May 26, 1941 (Public, No. 74, 77th Cong.), as amended, the Commodity Credit Corporation was required to make available loans at the rate of 85 percent of parity on the 1941 through 1946 crops of the basic commodities, corn, cotton, wheat, rice, tobacco, and peanuts. The act of October 2, 1942 (Public, No. 729, 77th Cong.), requires the Corporation to make available loans at the rate of 90 percent of parity upon any crop of the basic commodities harvested after December 31, 1941, and before the expiration of the 2-year period beginning with the 1st day of January immediately following the date upon which the President by proclamation or the Congress by concurrent resolution declares that hostilities in the pres-

ent war have terminated. Section 4 of the act of July 1, 1941 (Public, No. 147, 77th Cong.), the Steagall amendment, directs the use of funds available to Commodity Credit Corporation, if found necessary to encourage the expansion of production of any nonbasic agricultural commodity, through a loan, purchase, or other operation, so as to support a price to the producers of such nonbasic agricultural commodity of not less than 85 percent of the parity or comparable price. The act of October 2, 1942, amended the Steagall amendment by increasing the minimum support price level to 90 percent of the parity or comparable price, and by requiring, as in the case of mandatory loans on the basic agricultural commodities, that the price supporting operation with respect to any commodity be continued for at least 2 full years after the termination of the war.

Since under the terms of the latest amendment of the act initially extending the life of the Corporation as an agency of the Federal Government, the status of the Corporation as an agency of the United States will expire on June 30, 1943, it seems necessary and appropriate to formally authorize the Corporation to continue as an agency of the United States during the period it is required to carry out loan, purchase, and other operations under the acts of Congress referred to above. Accordingly, the proposed bill provides that its status as an agency of the United States be continued until "June 30, 1947, or the end of the second year following the 1st day of January immediately following the date upon which the President by proclamation or the Congress by concurrent resolution declares that hostilities in the present war have terminated, whichever is the later."

A revision of the basis of the annual Treasury appraisal of the Corporation is considered desirable in order to make the date of appraisal coincident with the end of the fiscal year, whichever is lower, rather than of the appraisal without sacrifice of sound accounting principles. The proposed basis is cost at the time of appraisal, or the average market values during the last month of the fiscal year, whichever is lower, rather than cost plus a year's carrying charges or the average market for 12 months, whichever is the lower. The Treasury Department has given informal assurance that it has no objection to these changes.

Further provisions of the bill relate to a proposal for an audit of the financial transactions of the Corporation by the General Accounting Office in accordance with the principles applicable to commercial corporate transactions. As a corporate agency of the United States, the transactions of Commodity Credit Corporation, other than administrative expense items, are not now audited and controlled by the General Accounting Office. Corporate capital fund transactions have been subject, however, to certain types of audit review, i. e., by examinations of the Federal Reserve banks and by the Reconstruction Finance Corporation. In addition, the United States Treasury has made annual appraisals of the net worth of the Corporation which are regularly reported to Congress. As the officers of the Corporation desire to secure an audit according to principles mutually satisfactory to the Comptroller General and the Corporation, the Secretary of Agriculture on November 28, 1942, wrote to the Comptroller General suggesting that a joint committee representative of both agencies be appointed to study and work out a recommended course of action to attain this objective. The Comptroller General agreed and a joint committee was appointed composed of three representatives of the Department of Agriculture and three representatives of the General Accounting Office. New legislation was deemed necessary since the General Accounting Office indicated that it does not

have present legislative authority to make an audit of the type proposed. The committee held numerous meetings and after careful deliberations agreed that the legislation here proposed would be appropriate to suggest to the Congress. Both the General Accounting Office and the Corporation believe that the proposed legislation would provide an adequate type of audit for the financial transactions of the Corporation. Such an audit would serve to give to Congress a regular and official report of the fiscal affairs of the Corporation on which to appraise the discharge by the Corporation of its responsibilities.

The Comptroller General concurs in and approves that part of the proposed legislation relating to the audit. A copy of his letter of April 2, 1943, to the Secretary of Agriculture is attached.

Section 4 provides authority for the Federal Reserve banks to act as fiscal agents for the Corporation. At present, the Reconstruction Finance Corporation acts as fiscal agent for the Corporation, and the Federal Reserve banks, in turn, are employed as fiscal agents and depositories by the Reconstruction Finance Corporation. The proposed authorization would permit the direct use of the Federal Reserve banks by the Commodity Credit Corporation if that should become desirable. The Chairman of the Board of Governors of the Federal Reserve System concurs in the recommendation of this section.

The passage of the proposed legislation is recommended.

The Bureau of the Budget advises that the proposed legislation is in harmony with the program of the President and it has no objection to the submission of the proposed bill and explanatory letter to the Congress for its consideration.

A similar letter is being sent to the Speaker of the House of Representatives.

Sincerely,

CHESTER C. DAVIS,
Administrator.

MARBLE PEDESTAL FOR BUST OF FORMER VICE PRESIDENT GARNER

Mr. CONNALLY submitted the following Resolution 150, which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Architect of the Capitol hereby is authorized to procure a marble pedestal for the bust in the Senate wing of the Capitol of former Vice President John N. Garner, the expense thereof, not exceeding \$300, to be paid from the contingent fund of the Senate upon vouchers to be approved by the chairman of the Senate Committee on the Library.

THE PHILOSOPHY, AIMS, AND RESOURCES OF THE JAPANESE—ADDRESS BY SENATOR THOMAS OF UTAH

[Mr. THOMAS of Utah asked and obtained leave to have printed in the RECORD an address, entitled "The Philosophy, Aims, and Resources of the Japanese," delivered by him before the members of Barrister's Lodge, No. 48, Free and Accepted Masons, in Washington, D. C., on May 5, 1943, which appears in the Appendix.]

OUR FOREIGN RELATIONS—ADDRESS BY HON. ALF M. LANDON

[Mr. CAPPER asked and obtained leave to have printed in the RECORD an address, entitled "Our Foreign Relations," delivered by Hon. Alf M. Landon, of Kansas, at the meeting of the Six O'Clock Dinner Club, Minneapolis, Minn., May 13, 1943, which will appear hereafter in the Appendix.]

THE CAUSE FOR WHICH WE FIGHT—ADDRESS BY SENATOR BURTON

[Mr. BURTON asked and obtained leave to have printed in the RECORD excerpts from

an address entitled "The Cause for Which We Fight," delivered by him at the Jewish Relief Rally, Public Hall, Cleveland, Ohio, May 12, 1943, which appears in the Appendix.]

BIG BUSINESS AND THE WAR—EDITORIAL BY WILLIAM ALLEN WHITE

[Mr. CAPPER asked and obtained leave to have printed in the RECORD an editorial by William Allen White, from the Emporia (Kans.) Gazette, reprinted in Labor, which appears in the Appendix.]

LONGER VOTING HOURS—EDITORIAL FROM THE WASHINGTON EVENING STAR

[Mr. GUFFEY asked and obtained leave to have printed in the RECORD an editorial entitled "Longer Voting Hours," from the Washington Evening Star of Friday, May 14, 1943, which appears in the Appendix.]

MR. CHURCHILL'S VISIT—EDITORIAL FROM THE WASHINGTON TIMES-HERALD

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD an editorial entitled "Mr. Churchill Here Again," from the Times-Herald, of Washington, D. C., of May 14, 1943, which appears in the Appendix.]

CHINESE EXCLUSION LAWS

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD a brief relating to the Chinese exclusion laws, prepared by James R. Wilmeth, national secretary of the Junior Order United American Mechanics, which appears in the Appendix.]

CURRENT PAYMENT OF INDIVIDUAL INCOME TAX

The Senate resumed consideration of the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Louisiana [Mr. ELLENDER] to strike out section 6, beginning on page 97, line 12, and to insert in lieu thereof certain other words. Under the unanimous-consent order no Senator shall speak more than once or longer than 15 minutes upon the amendment proposed by the Senator from Louisiana or on any amendment proposed thereto.

Mr. ELLENDER. Mr. President, yesterday I had occasion to discuss the pending amendment to some extent, and I will ask the indulgence of the Senate a little while longer so that I may explain my proposal for the benefit of those who may not have been present yesterday.

As I stated on yesterday the effect of my amendment would be to strike from section 6 of the pending bill that portion of the section which would cancel taxes, and substitute therefor a method by which the taxes for 1942 could be discharged by the taxpayer.

If my amendment should be adopted, there would be no cancellation whatever of any of the taxes. The pay-as-you-go plan as incorporated in the pending bill would remain as written. All the taxes paid by the taxpayer in 1943 under his 1942 tax bill would be applied to the 1943 taxes, and the rest of the taxes for 1943 would be paid from the 20 percent

withheld which is to be made from the taxpayer's income from July 1 to December 31 of this year as provided for in the pending bill, and the payment of the taxes for 1942 would be spread over a period of 5 years. The first payment of the taxes for 1942 would be due on March 15, 1944, and the amount to be paid by each taxpayer each 6 months would be one-tenth of whatever his 1942 taxes amounted to. So that by paying on March 15, 1944, and every 6 months thereafter, one-tenth of the 1942 taxes, the entire tax bill of the taxpayer would be discharged in 5 years.

Mr. President, that would be the only effect of the amendment. As I said yesterday, it would be almost criminal for the Congress to enact a law forgiving any taxes at this time. We are not in a position to cancel taxes. The President, as well as the Secretary of the Treasury, advised us last year and this year that it would be necessary to increase the tax bill by \$16,000,000,000.

Mr. BILBO. If the Senator will yield, does he propose that interest shall be charged on the deferred payments for the 5-year period?

Mr. ELLENDER. No; there is to be no interest so long as the taxpayer keeps his deferred payments current. Should he default as to any of his payments, then the remaining installments will become due and interest will be imposed thereon.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield for a question.

Mr. MURDOCK. I am very much impressed by the Senator's amendment. I am also impressed by the article which appeared in this morning's newspaper telling us that \$16,000,000,000 is the amount of additional taxes under the Treasury program.

Listening to the debate which has taken place here for the past 2 or 3 days, it seems to me that the important thing is the withholding tax of 20 percent. According to the argument which has been made, it is important because there is fear that the wage earner and the salaried man may spend their wages and salaries before the Treasury gets its cut.

Mr. ELLENDER. I may say to the Senator that that was the genesis of the Ruml plan. It was an effort to put into the taxing net the salaried men and the vast number of new wage earners, and a smart idea was cooked up that in order to put us on a pay-as-you-go basis, that it would be necessary to cancel the taxes of those able to pay. Such cancellations, as I pointed out yesterday, ranged from over four to almost ten billions of dollars.

Mr. MURDOCK. If the Senator will bear with me a moment or two further, I wish to see if we cannot improve his amendment.

If we should adopt a withholding tax of 20 percent, what difference would it make to the Treasury whether it were paid on 1942 taxes or 1943 taxes? The dollars would roll into the Treasury exactly at the same time; they would come to the Treasury in the same quantity

and number, whether we applied them on 1942 or 1943 taxes. The question then occurs to me, inasmuch as the Treasury is coming back to Congress later for additional taxes, why should we add the installments which the Senator from Louisiana contemplates in his amendment? Why not adopt the 20-percent withholding tax and let the law remain as it is?

Mr. ELLENDER. In other words, the effect of the Senator's suggestion would be that the taxes be discharged as they are now paid?

Mr. MURDOCK. Exactly as they are now paid.

Mr. ELLENDER. And add 20 percent?

Mr. MURDOCK. No. I do not mean to add 20 percent to them, but the idea of the 20-percent withholding tax, as I understand, is to reach the person who some are a little afraid might not pay his tax.

Mr. ELLENDER. That is correct.

Mr. MURDOCK. If my suggestion is followed, and if we apply the 20-percent withholding tax under the present rate, and under the present tax, then we shall have accomplished the main thing that is desired by everyone, and we shall not forgive \$9,000,000,000 in taxes, or add to the present burden. Is that not the proper solution of the question?

Mr. ELLENDER. That would be another way of doing it, but I propose to show that I think it is possible for most taxpayers to pay their normal taxes plus the one-fifth which I propose be paid in addition each year. Let us consider the plan which will be submitted by the distinguished Senator from Georgia [Mr. GEORGE]. He proposes to forgive 75 percent of the taxes for 1 year, and he further proposes to spread the remaining 25 percent over a period of 2 years. In other words, the deferred tax of a taxpayer to the extent of one-quarter of the entire 1942 or 1943 tax, whichever is lower, will be spread over 2 years, whereas under my proposal the tax for 1942 would be spread over a period of 5 years.

Mr. MURDOCK. Will the Senator yield for another observation?

Mr. ELLENDER. I have but 15 minutes. Of course, I may be able to take a little time in speaking on the bill, but I would rather not do so.

Mr. MURDOCK. I simply wish to make a brief observation. It seems to me that if the Senator from Louisiana and the Senator from Texas [Mr. O'DANIEL] would get together on their two amendments we could then simplify what in my opinion is a very difficult situation.

Mr. ELLENDER. To continue my discussion, Mr. President, with respect to the so-called George amendment. Senators, listen to this. The amendment proposes to forgive 75 percent of the 1942 tax, or the 1943 tax, whichever is the lowest, and provide that the payment of the remaining 25 percent, that is one-quarter, shall be divided into two equal installments payable yearly. My

amendment provides that the 1942 taxes shall be spread over a period of 5 years, and if I were to modify my amendment so as to make the period of payment 8 years instead of 5 years, the taxpayer would pay the same amount per year as he would under the George amendment. I feel confident that the distinguished Senator from Georgia has found it possible for a taxpayer to pay his normal taxes and one-eighth of the payments deferred as above set forth, otherwise he would not be advocating such a method. I believe that I can show that a taxpayer can pay each year his normal taxes and one-fifth of his 1942 taxes.

I realize that a few may suffer. There is a provision in the bill to the effect that in the event a taxpayer is unable to meet his taxes some discretion is left in the hands of the Commissioner to make an adjustment or ease his payments in some equitable and just manner.

Forgiveness of an entire year's taxes, as proposed in the Senate bill, involves the unjust enrichment of many individuals. For example, a married person with a net income before personal exemptions of \$100,000 is forgiven a tax debt of \$64,060. If his income is \$1,000,000, he is forgiven a tax debt of \$354,000. These reductions in liabilities result in an increase in the net worth of the individual just as truly as if these huge amounts had actually been bestowed upon the individual in the form of a gift in cash.

The benefits received from such forgiveness will be immediate as well as ultimate. Not only will the estate of these individuals at time of death be higher than they would have been without the tax cancellation, but these persons can immediately enjoy the fruits of cancellation. They can borrow against their improvement in net worth.

Another way of looking at this unjust enrichment is to compare the amount of tax forgiven with the amount of income remaining or available to these individuals after taxes. The taxpayer with \$100,000 net income will have left \$35,940 after present taxes. The amount forgiven under the Senate bill is 178.2 percent of the income after taxes. In the case of the \$1,000,000 income the amount forgiven is 585 percent of the income available after taxes. Even if this individual were to save every cent of the income available after taxes, the amount forgiven would amount to about 6 years' savings.

Another way of looking at the unjust enrichment which complete cancellation bestows on the high-income receivers is to compare the amount forgiven with the tax increases which the Congress has enacted in 1940, 1941, and 1942, for the purpose of strengthening our national defense and preparing for war finance. For the person receiving \$100,000 of net income before personal exemption, the tax increases under the acts of 1940, 1941, and 1942 amounted to \$62,833, or over \$1,000 less than the \$64,060 which would be canceled under the Senate bill.

For the \$1,000,000-income receiver, the tax increases since 1939 amount to \$267,006. The amount forgiven, \$854,000, is more than three times as great as the entire tax increases since 1939.

Complete cancellation of a year's taxes, or 75 percent cancellation of a year's taxes, or any other substantial percent cancellation which applies uniformly up and down the scale, must inevitably bestow unjust enrichment upon the higher income receivers.

The Senate Finance Committee bill would cancel \$9,815,000,000 of 1942 tax liabilities and would add to the 1943 net income tax liabilities certain amounts attributable to the so-called windfall provisions which, in the aggregate, amount to \$1,300,000,000, leaving a net cancellation of \$8,500,000,000. It is bad public policy—bad for the morale of the Nation—to relieve taxpayers of an incurred liability of \$8,500,000,000 while at the same time our President is calling upon us to strengthen the revenues for the fiscal year 1944 by \$16,000,000,000. The public debt of the United States stood at \$144,000,000,000 on May 10 this year and it is estimated that it will reach over \$200,000,000,000 by the end of the fiscal year 1944. Why should we not collect the 1942 liabilities already incurred and have them apply toward the reduction of the public debt which, despite any revenue measures we can take during this war emergency, will almost certainly climb to \$300,000,000,000 and perhaps more? The Federal Government cannot afford to cast away billions of assessed taxes. If relief for the armed forces were made applicable to the liabilities in 1942, the total 1942 liabilities would amount to approximately \$9,500,000,000. If, as suggested, one-fifth of this were made payable each year for 5 years, the Federal revenues would be increased by \$1,900,000,000 a year.

It should be noted that without cancellation, this \$1,900,000,000 of revenue increase in each of 5 years is obtained in an equitable way, is fairly distributed over all classes of income—everybody contributes in accordance with our present conception of how the taxes should be loaded over the different income brackets. But if you cancel the taxes for 1942 and try to reimpose new tax rates, higher tax rates, which will bring in \$1,900,000,000 additional revenue in each of 5 years, you will find that it is not possible to increase the upper middle and top brackets sufficiently to get anything like the same proportion of the \$1,900,000,000 out of these classes as you will get under my suggestion that these taxes be postponed rather than canceled. If you cancel taxes you will inevitably shoulder most of the tax increase onto the lower and least-able-to-pay taxpayers. That is why I do not propose to cancel any taxes.

Now, it has been stated that the taxpayers simply cannot bear the tax burden which the suggested pay-as-you-go plan would impose upon them—that they cannot pay a full year's taxes and in addition one-fifth of another year's

taxes. There are two answers to this argument. The first is that the incomes and the savings of the American people are now larger than they have ever been in the history of the country; and the second is that for the rank and file of the people, the great majority of average citizens, there is no alternative—they must pay higher taxes and it matters little to them whether these higher taxes result from new and higher rates or whether they result from the retention of the present rates but the liquidation in five annual installments of an additional year's liabilities. Under the postponement plan the great majority of individuals will fare about as well under one alternative as under the other. The only difference is that postponement avoids the unjust enrichment of the few in the upper, middle, and top income brackets through relieving them of their just share in the burden of financing the war.

Liquid savings of individuals throughout the country reached the unprecedented figure of \$28,900,000,000 in 1942. This is almost three times the amount of individual savings in 1941 and is seven times the figure for 1940. It is nearly three times the tax liability on 1942 income.

The great increase in savings arose from the largest national income, \$120,000,000,000, in our history. This income was largely paid out to individuals, predominantly in salaries and wages, and was paid to increased numbers of individuals, unemployment being at almost a minimum. The enlarged payments were distributed widely, with the lower income groups enjoying huge increases. Since price control held down the cost of living, and rationing and the unavailability of many items, such as automobiles, restrained the amount of purchases which might have been made, a great part of the increased income found its way into savings.

This year income will be even higher and the volume of civilian goods and services smaller. There will be tens of billions of dollars of income above taxes that cannot be spent. For 1943, it is estimated, savings of individuals may exceed \$40,000,000,000 after payment of taxes.

In practically every income group this will mean savings many times greater than the tax that must be paid. The following table shows average savings by income classes in 1942, together with average taxes paid. This table indicates that in 1942 the group with incomes between \$1,500 and \$3,000 saved on the average, after taxes, \$338 apiece; those with incomes between \$3,000 and \$5,000 saved \$943 apiece; and those with incomes of \$5,000 to \$10,000 saved \$2,366 apiece.

Mr. President, I ask unanimous consent to insert at this point in my remarks the table to which I have just referred.

The VICE PRESIDENT. Without objection, it is so ordered.

Average income, taxes, consumption and savings of families and single civilians, by income level, 1942¹

Income level	Average income and outlay					
	Money income	Taxes	Income after taxes	Consumption	Gifts to organizations	Savings
Under \$1,500.....	\$362	\$4	\$858	\$845	\$11	\$2
\$1,500-\$3,000.....	2,139	14	2,125	1,763	24	338
\$3,000-\$5,000.....	3,813	57	3,756	2,767	46	943
\$5,000-\$10,000.....	6,716	208	6,508	4,049	93	2,366
\$10,000 and over.....	21,074	3,932	17,142	6,999	153	9,990
All levels.....	2,558	104	2,454	1,808	29	617

¹ The averages cover approximately 41,000,000 civilian spending units, consisting roughly of 33,000,000 families of 2 or more persons and 8,000,000 single civilians.

Source: Office of Price Administration, Civilian Spending and Saving, 1941 and 1942.

Mr. ELLENDER. Much of the savings, particularly at income levels above \$2,000, is highly liquid. The unprecedented incomes that are being received this year by the American public cannot be spent in full, without ruinous inflation. The result will be, among all income classes, unprecedented savings that could be utilized to meet increased tax liabilities.

Let me state this point in another way. The Department of Commerce reports that the disposable income of individuals for 1942 amounted to \$108,800,000,000. This disposable income is income after taxes and was more than \$20,000,000,000 higher than in any year since 1929, the first year for which comparable figures are available. The net savings of individuals are estimated by the Department of Commerce at \$26,900,000,000, more than \$12,000,000,000 in excess of their estimate for 1941, and more than three times their estimate for the banner year 1929. The net savings of individuals as a percent of the disposable income amounted to 24.7 percent in 1942. It is interesting to note that in 1929 the people of this country saved 11.1 percent of the disposable income and they did not save as much as that from 1929 to 1941. In 1941 they saved 15.5 percent of their disposable income.

Mr. President, I ask unanimous consent that a table showing the savings as a percent of disposable income of individuals, 1929-42, be inserted in the RECORD at this point of my remarks.

The VICE PRESIDENT. Without objection, it is so ordered:

Savings as a percent of disposable income of individuals, 1929-42

[Amounts in billions of dollars]

Year	Disposable income of individuals	Net savings of individuals	Percent net savings to disposable income
1929.....	79.6	8.8	11.1
1930.....	70.7	5.8	8.2
1931.....	59.6	5.4	9.1
1932.....	45.6	2.6	5.7
1933.....	44.6	2.1	4.7
1934.....	51.0	3.3	6.5
1935.....	56.3	4.1	7.3
1936.....	65.2	6.1	9.4
1937.....	69.2	6.7	9.7
1938.....	62.9	4.4	7.0
1939.....	67.7	6.0	8.9
1940.....	73.2	7.5	10.2
1941.....	88.2	13.7	15.5
1942.....	108.8	26.9	24.7

Source: Survey of Current Business, May 1942 and March 1943.

Mr. ELLENDER. The point I am making is that no matter whether we use the S. E. C. savings figures, or the O. P. A. savings figures, or the Department of Commerce savings figures, we find that the people of this country are saving more and a larger percentage of their income, at almost all levels of income, than they ever have in the history of the income tax. These savings are mostly liquid and they are available for tax payment. The people cannot buy many of the durable goods that they have been accustomed to buying; their incomes are higher, their savings are high, and they can well afford to pay over the next 5 years a little so-called doubling up of taxes.

The suggested plan is that taxpayers pay a full year's taxes plus one-fifth of the 1942 taxes. Let us examine a few figures to see whether the total payments are unreasonable in years of very high national income and war emergency. Mr. President, I ask unanimous consent to place in the RECORD at this point of my remarks a table showing individual income and net Victory taxes for a full year under present rates, plus one-fifth of the 1942 income-tax liabilities.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. ELLENDER. It will be noted that a married person with \$1,200 net income before exemptions would have total payments in 1944 and each of the 4 subsequent years of \$21, or 1.8 percent of net income.

If the income is \$2,000 the total tax payments per year would be \$216, or 10.8 percent of net income.

If the income is \$5,000 the total payments would be \$1,043, or 20.9 percent.

If the income is \$10,000 the total payments would be \$2,897, or 29 percent.

Individual income and net Victory taxes for a full year under present rates plus one-fifth of the 1942 income-tax liabilities—married persons, no dependents

Net income before personal exemption	Income tax plus net Victory tax	One-fifth of 1942 tax	Total taxes	Effective rates of total tax
				Percent
\$1,200.....	\$21	\$0	\$21	1.8
\$1,500.....	79	10	89	5.9
\$1,800.....	144	21	165	9.2
\$2,000.....	188	28	216	10.8
\$2,500.....	297	46	343	13.7
\$3,000.....	405	65	470	15.7
\$4,000.....	647	106	753	18.8
\$5,000.....	894	149	1,043	20.9

Individual income, etc.—Continued

Net income before personal exemption	Income tax plus net Victory tax	One-fifth of 1942 tax	Total taxes	Effective rates of total tax
				Percent
\$6,000.....	\$1,173	\$198	\$1,371	\$22.9
\$8,000.....	1,780	306	2,086	26.1
\$10,000.....	2,467	430	2,897	29.0
\$15,000.....	4,533	810	5,343	35.6
\$20,000.....	7,100	1,230	8,390	42.0
\$25,000.....	10,035	1,844	11,479	47.5
\$50,000.....	27,075	5,066	32,141	64.3
\$100,000.....	68,584	12,812	81,396	81.4
\$500,000.....	440,747	82,800	523,547	104.7
\$1,000,000.....	899,000	170,800	1,069,800	107.0
\$5,000,000.....	4,499,000	874,800	5,373,800	107.5

Treasury Department, Division of Tax Research.

If the income is \$100,000 the total payments would be \$81,396, or 81.4 percent. If the income is \$1,000,000 the total payments would be \$1,069,800, or 107 percent.

You will note from the table that the payments do not exceed the income until we reach incomes of nearly \$500,000. When we get up to incomes of this size I submit that the taxpayer is likely to have accumulated sufficient assets with which to make the necessary income payments. Indeed, I would have no objection for these relatively few cases in the very high income brackets, if it were provided, as was done in the Ways and Means Committee bill, that discretionary power be bestowed upon the Commissioner to grant extensions for some further period in cases of undue hardship.

Under the plan that would not cancel any of the 1942 taxes, all war profits would pay their just and fair share of income taxes to the Federal Treasury. Once we begin to cancel taxes we must, to save our consciences, try to figure out some device, or devices, or mechanisms which will somehow or other make war profits bear their proper tax load. In the Senate Finance Committee bill we find two antiwindfall provisions designed to achieve this objective. The more I scrutinize these antiwindfall provisions the more I agree with the Senator from Virginia that they are discriminatory and that they would not operate in an equitable and fair way.

The first antiwindfall provision creates war profits out of distress. If 1943 incomes are low because of war dislocation, 1942 incomes are treated as if they were extraordinary and abnormal, whereas in truth they might well have been entirely normal. So this windfall catches war profits and victimizes the innocent that suffered dislocation in 1943.

So with the second antiwindfall provision. It is true that it would bring war profits under higher taxes if 1942 and 1943 incomes greatly exceeded the incomes of the base years 1938, 1939, and 1940, but it is equally true that it would treat as war profits, profits of those who for the first time came into their full earning capacity in 1942 and 1943 after years of trial and training during the period 1938 through 1940. I cannot subscribe to any measure which, in a vain attempt to catch war profiteers, would victimize millions of innocent people, some of whom had suffered dislocation

In 1943 and others who for the first time came into their full earning powers in 1942 and 1943.

If we have no cancelation all war profits will pay their proper share of taxes without antiwindfall provisions, and I submit that no amount of ingenuity can supply antiwindfall provisions that would not operate in a discriminatory and unfair way.

Mr. President, I do—

The VICE PRESIDENT. The time of the Senator from Louisiana has expired.

Mr. ELLENDER. I will take a few minutes in speaking on the bill.

The VICE PRESIDENT. Under the unanimous-consent order, all the time of the Senator from Louisiana has expired.

Mr. ELLENDER. Am I precluded, under the order, from speaking on the bill itself?

The VICE PRESIDENT. Yes. The order under the unanimous-consent agreement is that no Senator shall be allowed to speak over 15 minutes on the amendment or any amendment thereto.

Mr. McNARY. Mr. President, I have always asked for strict enforcement of orders made in pursuance of unanimous-consent agreements in order that the Senate may pursue its work in an orderly fashion. We are under obligation today to proceed under the order previously entered. Much as I hesitate to do so, I shall object to any further time being granted for discussion of the amendment. I shall ask for strict enforcement of the rule.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Louisiana [Mr. ELLENDER] to the amendment of the committee, as amended.

Mr. ELLENDER. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	George	Murray
Austin	Gerry	Nye
Bailey	Gillette	O'Daniel
Ball	Green	Radcliffe
Bankhead	Guffey	Reed
Barbour	Gurney	Revercomb
Bilbo	Hatch	Reynolds
Bone	Hawkes	Robertson
Brewster	Hayden	Russell
Bridges	Hill	Scruggam
Buck	Holman	Stewart
Burton	Johnson, Colo.	Taft
Bushfield	Kilgore	Thomas, Idaho
Butler	La Follette	Thomas, Okla.
Capper	Langer	Tobey
Caraway	Lodge	Tunnell
Chandler	Lucas	Tydings
Chavez	McClellan	Vandenberg
Clark, Idaho	McFarland	Van Nuys
Clark, Mo.	McNary	Wagner
Connally	Maloney	Walsh
Danaher	Maybank	Wheeler
Davis	Mead	Wherry
Eastland	Millikin	White
Ellender	Moore	Wiley
Ferguson	Murdock	Wilson

The VICE PRESIDENT. Seventy-eight Senators have answered to their names, a quorum is present.

The question is on agreeing to the amendment of the Senator from Louisiana [Mr. ELLENDER] to the amendment of the committee, as amended.

Mr. ELLENDER. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. BRIDGES (when his name was called). I have a general pair with the Senator from Utah [Mr. THOMAS]. Not knowing how he would vote on this question, I transfer my pair to the Senator from Illinois [Mr. BROOKS], who, if present, would vote "nay." I vote "nay."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Kentucky [Mr. BARKLEY], the Senator from Virginia [Mr. GLASS], the Senator from Tennessee [Mr. McKELLER], and the Senator from South Carolina [Mr. SMITH] are absent from the Senate because of illness.

The Senator from Nevada [Mr. McCARRAN] is absent conducting hearings in the West on behalf of the Senate.

The Senator from Missouri [Mr. TRUMAN] and the Senator from Washington [Mr. WALLGREN] are out of the city conducting hearings on behalf of the Special Committee to Investigate the National Defense Program.

The Senator from Wyoming [Mr. O'MAHONEY] is necessarily absent.

The Senator from Florida [Mr. PEPPER] is detained on important public business.

The Senator from Louisiana [Mr. OVERTON] and the Senator from Utah [Mr. THOMAS] are detained in Government departments on matters pertaining to their respective States.

The Senator from California [Mr. DOWNEY] is absent on official business.

The Senator from Virginia [Mr. BYRD] is unavoidably detained. I am advised that if present and voting, he would vote "nay."

Mr. McNARY. The Senator from Illinois [Mr. BROOKS] is detained in committee. If present, he would vote "nay."

The Senator from California [Mr. JOHNSON] is absent because of illness.

The Senator from Indiana [Mr. WILIS] is necessarily absent.

The Senator from Minnesota [Mr. SHIPSTEAD] is detained on official business.

The result was announced—yeas 21, nays 57, as follows:

YEAS—21

Bilbo	Guffey	Murdock
Bone	Hayden	Murray
Caraway	La Follette	O'Daniel
Connally	Langer	Russell
Eastland	McFarland	Scruggam
Ellender	Maybank	Thomas, Okla.
Green	Mead	Wagner

NAYS—57

Aiken	Ferguson	Radcliffe
Austin	George	Reed
Bailey	Gerry	Revercomb
Ball	Gillette	Reynolds
Bankhead	Gurney	Robertson
Barbour	Hatch	Stewart
Brewster	Hawkes	Taft
Bridges	Hill	Thomas, Idaho
Buck	Holman	Tobey
Burton	Johnson, Colo.	Tunnell
Bushfield	Kilgore	Tydings
Butler	Lodge	Vandenberg
Capper	Lucas	Van Nuys
Chandler	McClellan	Walsh
Chavez	McNary	Wheeler
Clark, Idaho	Maloney	Wherry
Clark, Mo.	Millikin	White
Danaher	Moore	Wiley
Davis	Nye	Wilson

NOT VOTING—18

Andrews	Johnson, Calif.	Shipstead
Barkley	McCarran	Smith
Brooks	McKellar	Thomas, Utah
Byrd	O'Mahoney	Truman
Downey	Overton	Wallgren
Glass	Pepper	Willis

So Mr. ELLENDER's amendment to the committee amendment, as amended, was rejected.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Swanson, one of its clerks, communicated to the Senate the intelligence of the death of Hon. Harry L. Englebright, late a Representative from the State of California, and transmitted the resolutions of the House thereon.

The message announced that the House had passed a joint resolution (H. J. Res. 111) to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, in which it requested the concurrence of the Senate.

HOUSE JOINT RESOLUTION REFERRED

The joint resolution (H. J. Res. 111) to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, was read twice by its title and referred to the Committee on Finance.

AMENDMENT TO AGRICULTURAL APPROPRIATION BILL

Mr. WAGNER submitted an amendment intended to be proposed by him to the bill (H. R. 2481) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1944, and for other purposes, which was referred to the Committee on Appropriations and ordered to be printed, as follows:

At the proper place insert the following:

"EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL COMMODITIES

"To enable the Secretary of Agriculture to further carry out the provisions of section 32, as amended, of the act entitled 'An act to amend the Agricultural Adjustment Act, and for other purposes,' approved August 24, 1935, and subject to all provisions of law relating to the expenditure of funds appropriated by such section, there is hereby appropriated for the fiscal year 1944 the unobligated balances of the funds made available for the purposes of such section 32 for the fiscal years 1942 and 1943. Such sums shall be in addition to, and not in substitution for, other appropriations made by such section or for the purposes of such section: *Provided*, That during the fiscal year ending June 30, 1944, funds appropriated by or for the purposes of section 32 of said act shall be available to the Secretary of Agriculture for the maintenance, expansion, and operation of a school milk and lunch program under clause (2) of said section 32, without regard to the requirement therein relating to the encouragement of domestic consumption."

CURRENT PAYMENT OF INDIVIDUAL INCOME TAX

The Senate resumed the consideration of the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes.

The VICE PRESIDENT. The question now recurs on the committee amendment, as amended, which is open to further amendment.

Mr. CLARK of Missouri. Mr. President, I offer the amendment which I submitted a couple of days ago, which has been printed and is on the table, and ask that it be stated.

The VICE PRESIDENT. The amendment offered by the Senator from Missouri will be stated.

The CHIEF CLERK. Beginning on page 105, line 16, it is proposed to strike out down to and including the period on page 107, line 21, and insert "In the case of any individual who dies while in active service as a member of the military or naval forces of the United States and prior to the termination of the present war as proclaimed by the President, the tax imposed by this chapter shall not apply with respect to the taxable year in which falls the date of his death, and the tax under this chapter and under the corresponding title of each prior revenue law for preceding taxable years which is unpaid at the date of his death (including interest, additions to the tax, and additional amounts) shall not be assessed, and if assessed the assessment shall be abated, and if collected shall be credited or refunded as an overpayment."

Mr. CLARK of Missouri. Mr. President, this amendment has to do solely with the case of a man or woman who has entered the armed service of the United States, and who dies during the period of such service. The difference between this provision, as contained in the amendment which I have just offered, and the provision beginning on page 105 and running over to page 106, as contained in the committee amendment, lies simply in the fact that the net effect of the committee amendment finally works out to an abatement of the earned income of a man or woman who dies in the military service of the United States during the progress of this war.

Mr. President, I believe that there can be no serious question as to persons who have entered the armed services of the United States. If they die while in the armed services, the least the Government can do is to abate or cancel what taxes they may owe the Government of the United States at that time. The purpose of this amendment is simply to clarify that principle, because the language contained in the committee amendment is so complicated that it is not very easy to discern exactly what it means. The net effect of the language in the committee amendment is to limit the remission of taxes in such a case. My amendment, unlike the general provisions of the so-called Rumr plan, is a remission of taxes, and it is intended to be a remission of taxes, granted to persons who have entered the armed forces of the United States. I may say that, so far as I am concerned, I do not think this is a sufficient remission to persons who have entered the armed forces.

With regard to the first windfall provision of the committee amendment, being the provision which requires payment on the highest of 1942 or 1943 taxes, I thought that an exception should be made with regard to men and women who have gone into the armed forces, because it seems to me that persons in private

life who are making comfortable incomes, or even large incomes, and who have not been able to accumulate the money to pay their taxes, or who at least have not accumulated it, and who then go into the armed services at very much smaller remuneration, should be given the option of electing whether 1942 or 1943 income should be taxed.

I offered such an amendment in the Finance Committee and it was rejected. I shall probably offer the same amendment before the conclusion of the consideration of this measure in the Senate. The amendment which I have presently offered has nothing to do with that. It has to do with the remission of taxes in cases of members of the armed forces. The question is whether we shall make a complete remission of their tax liability to the Government in case of their death. The only instance of persons in the armed forces being entitled to remission is in case of death. The question is whether we shall make a complete remission or make a remission only as to earned income.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Missouri [Mr. CLARK] to the committee amendment, as amended.

Mr. DANAHER. Mr. President, the language of the amendment offered by the Senator from Missouri appears at page 59 of the bill before us. It is in substantially the same language as the House text there printed. The chief difference is that the Senator from Missouri would insert the language "who dies on or after December 6, 1941."

Mr. President, the committee canvassed the proposal submitted by the Senator from Missouri with very great care. We considered the House language most diligently. It appeared to us that it was open to very serious criticism in three particulars.

In the first place, the House provision, or the Clark amendment as now offered, would grant relief only to those servicemen who are delinquent in their taxes. It would abate all taxes due to the Government at the time of their death.

In the second place, the House language, or the Clark version of it, would apply to all taxes, whether attributable to earned income or income from capital.

In the third place, the House language, or the Clark amendment, would extend relief all the way back for as many years as any serviceman was delinquent in his taxes at the time of his death. It seemed to the committee, as we considered those three phases of the Clark amendment—

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. CLARK of Missouri. I should like to invite the attention of the Senator to the fact that this is not an abatement of all taxes. It is merely an abatement of income taxes. It would prevent the Government from proceeding against the widow in case a man were killed in the service.

Mr. DANAHER. Mr. President, under the first point of those which I have

made, the committee took the position that such a remission would be unfair to those members of the armed forces who were conscientious in meeting their tax obligations and had paid up currently all the taxes due the Government.

The so-called Clark amendment would reward those who had been delinquent in their taxes and therefore would prove unfair to the servicemen who had paid their taxes.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. CLARK of Missouri. I think if the Senator will read the amendment, he will find that his statement is not entirely accurate, because it would treat all soldiers alike. I share the Senator's objection to giving a premium to taxpayers who have become delinquent in paying their taxes, but, if he will read that portion of the amendment at the top of page 2 thereof, he will discover that, if the soldier has paid his taxes, they will be credited or refunded as an overpayment.

Mr. DANAHER. Mr. President, proceeding further to the points considered by the committee, we felt that relief with respect to taxes on unearned income would be unnecessary because such income would continue during the years the serviceman is in the armed forces, out of capital, or out of the source of income from which the taxes attributable to that income could be paid, and the tax could be paid whether he were in the armed service or not.

The committee bill limits the relief to taxes attributable to a man's earned income, and it seemed to us that that would prove to be adequate relief in all cases.

As to the final point the committee took the position that the proposed relief would prove to be extraordinarily great in some cases and would have no correlation whatever with the period during which the man was in the armed services. In other words, a man who had an income of \$3,000, let us say, on which taxes were owing, would find the taxes against his estate remitted in the event of death, whereas another man, who had an income of \$100,000 and who might have been delinquent for 1 year, 2 years, or 3 years, would be given an equal measure of reward, multiplied, however, by the amount of the tax which would be attributable to the much larger income.

Consequently, the committee felt that the taxes to be abated or refunded should be limited to those which become due and payable after the date the man was inducted into the service, assuming that he was on a quarterly installment basis. In no case would the relief extend to any taxable year earlier than the year preceding the effective date of the Selective Service Act.

Your committee therefore would extend relief only for those years during which the serviceman's obligation to pay taxes becomes unduly burdensome by reason of his diminished earnings resulting directly from his services in the armed forces of the country.

The points I have mentioned, Mr. President, were made the subject of extended

debate and argument in the committee, and the committee overwhelmingly rejected the amendment offered by the Senator from Missouri.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. CLARK of Missouri. The amendment was never offered in the Finance Committee in anything like its present form. So far as I know the question was never discussed in the Finance Committee, and I was present at almost every meeting of the committee when consideration was given to the amendment. This is an entirely different proposal. As I stated on the floor a moment ago, I offered an amendment, which was rejected, to allow persons in the armed services to elect whether 1942 or 1943 should be taken. But to my knowledge this particular amendment was not offered in the committee. I believe I was present during every minute of the committee's consideration of the bill.

Mr. President, I should like to modify the amendment which I have offered. On page 1, line 3, of the printed amendment, after the word "dies" I should like to modify the amendment by inserting the words "after December 6, 1941", so as to read:

In the case of any individual who dies after December 6, 1941, while in active service as a member of the military or naval forces—

And so forth. There was a defect in the amendment as I offered it, and I desire to modify it in that form.

The VICE PRESIDENT. The amendment will be modified accordingly.

Mr. MALONEY. Mr. President, I should like to ask the Senator from Missouri to what years the taxes would apply. What are the limitations as to the years to which the taxes would apply?

Mr. CLARK of Missouri. The amendment would apply to any taxes which might be owed by a sailor or soldier at the time of his death.

Mr. MALONEY. That might be for 1941, 1942, or 1943.

Mr. CLARK of Missouri. That is correct.

Mr. MALONEY. There is no limitation as to time?

Mr. CLARK of Missouri. That is correct.

Mr. VANDENBERG. Mr. President, may I ask the Senator from Missouri a question?

The PRESIDING OFFICER. Does the Senator from Missouri yield to the Senator from Michigan?

Mr. CLARK of Missouri. I yield.

Mr. VANDENBERG. I am perplexed by the final language of the amendment which would apparently provide for a refund of any deficiency which had heretofore been collected against a soldier who had died in service, and it apparently applies "under the corresponding title of each prior revenue law for preceding taxable years." Would that carry the refund back 10, 15, or 20 years, if during any of that period there might have been a deficiency paid?

Mr. CLARK of Missouri. That provision merely means that if the tax has been paid by the man's estate, it shall be refunded.

Mr. VANDENBERG. I am afraid the Senator does not catch my point. Let

us say that a soldier who dies in service has hanging over him at the time of his death an uncollected income tax for 1939, which was in dispute, and therefore not settled. Obviously, it is the purpose of the Senator to cancel that tax.

Mr. CLARK of Missouri. That is correct.

Mr. VANDENBERG. I have no quarrel with that purpose, but in order to equalize that situation, apparently the Senator would also provide that any man killed while in military service, who may have had a similar dispute under any tax law during his life, would be entitled to a refund.

Mr. CLARK of Missouri. If the tax were unpaid at the date of his death, yes. It seems to me to be inconceivable that the Government would permit any tax concerning which there had been a dispute to remain unpaid for any lengthy period of time. However, under this amendment, if the tax were unpaid at the time of the soldier's death, the amendment would protect the soldier's widow against the collection of the tax.

Mr. VANDENBERG. I am not quarreling with that theory. I am talking about a situation in which the tax has been paid. I am referring to the point at which the Senator is trying to equalize the situation as between the soldier who did pay and the soldier who did not.

Mr. CLARK of Missouri. I do not understand that this would apply to a back tax. If the Senator will read the language of the amendment, he will find that that is certainly not my intention, or the intention of those who are in sympathy with it. We do not intend it to apply to previous taxable years. We intend this amendment to apply to current taxes which have not been paid.

Mr. GEORGE. Mr. President, will the Senator yield?

Mr. CLARK of Missouri. I yield.

Mr. GEORGE. I think I understand one of the difficulties which faces the Senator from Michigan. There could be no refund of a tax under this amendment unless the tax had been collected after the death of the soldier. That is my interpretation of it. If at the time the soldier is killed there is an unpaid tax, and if thereafter there is a collection of that tax, then there would be a refund.

Mr. VANDENBERG. If that is the correct interpretation, I have no quarrel with it.

Mr. CLARK of Missouri. That is certainly the intention of the amendment. I will say to the Senator from Michigan that I wish to put all members of the armed forces on a basis of equality. If after the death of a member of the armed forces his widow or his estate had paid this tax, then his widow or his estate should be put back in status quo with those who had not paid it. That is the intention of the amendment.

Mr. CONNALLY. Mr. President, will the Senator yield for a question?

Mr. CLARK of Missouri. I am glad to yield to the Senator from Texas, if I have the floor. The question as to who is in possession of the floor seems to be rather uncertain.

The VICE PRESIDENT. The Senator from Missouri is in possession of the floor.

Mr. CLARK of Missouri. Then, I am glad to yield to the Senator from Texas.

Mr. CONNALLY. Mr. President, I am interested in the Senator's amendment, although I think we ought to be very careful about a soldier who has given his life on the battlefield and has a family and children; when we are handing out \$9,000,000,000 as a gift we ought not to be too generous with him; we ought not to give him a great deal, according to the contention of Senators. It seems to me—

Mr. CLARK of Missouri. Let me say to the Senator from Texas that he has never heard any such contention advanced by me.

Mr. CONNALLY. That is true. I want to give the Senator credit because he has offered the amendment, but, it seems to me, when we go forth with our hands full of good old currency handing out \$9,000,000,000—

Mr. CLARK of Missouri. I yielded to the Senator from Texas for a question, not for a speech.

Mr. CONNALLY. Very well; I will speak a little later.

Mr. CLARK of Missouri. Very well; the Senator can speak as long as he wants to speak in his own time.

Mr. DANAHER. Mr. President—

Mr. CLARK of Missouri. I yield to the Senator from Connecticut if I still have the floor.

Mr. DANAHER. Mr. President, in view of the fact that the Senator from Missouri and I have collaborated so generously in sharing the floor, if I may put it in that way, I should like to emphasize one further point with reference to the Senator's amendment. I will present it in my own way, and he may make such further rebuttal as he chooses. I think it apropos that I take the floor.

Every legitimate objective, every purpose properly to be achieved under the very noble impulse of the Senator from Missouri, which we all share, can be achieved and attained under the committee amendment. I should like to have Senators turn to page 106 of the bill on their desks where they will find that there are three situations which we take care of.

If the individual entered upon service in the armed forces of the United States before the commencement of the taxable year beginning in 1943 the committee proposal provides that there shall not be assessed against him, and if assessed the assessment shall be abated, and, if collected, the amount so collected or credited shall be refunded:

First. In the entire amount of the tax attributable for the taxable year in which falls the date on which the soldier or sailor entered the service or as of September 16, 1940, whichever is the later.

The second case we deal with results in equal treatment for the entire amount of the tax so attributable for all subsequent taxable years during which the soldier or sailor was in the service.

And in the third case we take care of that portion of the tax so attributable for the taxable year last preceding the date on which he entered the armed forces or September 16, 1940, whichever date is the later, which bears the same ratio to the total tax so attributable as the number of quarters in the taxable

year described in subparagraph (A) subsequent to the date on which he entered the service, whichever is the later, bears to four.

That sounds like a complex formula, but the fact of the matter is that, technically, our draftsmen advised us that it had to be written in that way in order to take care of the four installment payments which mature annually, assuming that a taxpayer is on a quarterly installment basis.

Moreover, if the individual entered upon the service during the taxable year beginning 1943, the committee amendment would give fair treatment, as we feel, to that portion of the tax for the taxable year beginning in 1943, reduced by the increase under section 6 (b) of the Current Tax Payment Act of 1943, which bears the same ratio to the total tax so reduced as the number of quarters in the taxable year subsequent to the date on which a serviceman entered the service bears to four, to the extent that such portion is so attributable.

Abatement would be obtained, in other words, in the taxable year 1943 if a man entered the service this year, or for so much of the unabated quarters of the tax during 1942 as remained unpaid or if paid it would be subject to refund.

Mr. President, we also take care or sought to take care of other situations which it seemed to us fairly comprehended the overwhelming plurality of the taxpayers who enter the armed forces. The matter was very fully canvassed, and we rejected the House language, which, as slightly modified by the Senator from Missouri in his pending amendment, it seemed to us dealt unfairly to the Government and to all other taxpayers and even discriminated among taxpayers who are in the armed services.

Therefore, Mr. President, the committee reported the amendment which is apparent in the bill commencing on page 105, line 14, and running through page 107, line 20, if Senators wish to study it further.

I thank the Senator from Missouri.

The PRESIDING OFFICER (Mr. CHANDLER in the chair). The question now is on agreeing to the amendment offered by the Senator from Missouri [Mr. CLARK] to the committee amendment as amended. [Putting the question.] The Chair is in doubt. Those who are in favor of the amendment will stand. [A pause.] Those opposed will stand. [A pause.] The amendment is not agreed to.

Mr. CONNALLY. Mr. President, I send to the desk an amendment in the nature of a substitute for the committee amendment as amended.

The PRESIDING OFFICER. The amendment proposed by the Senator from Texas will be stated.

Mr. CONNALLY. Mr. President, I ask that the amendment be stated briefly.

The Chief Clerk proceeded to state the amendment.

The amendment offered by Mr. CONNALLY to the amendment, as amended, of the committee in the nature of a substitute, is as follows:

That (a) this act may be cited as the "Current Tax Payment Act of 1943."

(b) Meaning of terms used: Except as otherwise expressly provided, terms used in this act shall have the same meaning as when used in the Internal Revenue Code.

Sec. 2. Collection of tax at source on wages.

(a) In general: Chapter 9 of the Internal Revenue Code (relating to employment taxes) is amended by inserting at the end thereof the following new subchapters:

"SUBCHAPTER D—COLLECTION OF INCOME TAX AT SOURCE ON WAGES

"Sec. 1621. Definitions.

"As used in this subchapter—

"(a) Wages: The term 'wages' means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid—

"(1) for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay includible in gross income under chapter 1, or

"(2) for agricultural labor (as defined in section 1426 (h)), or

"(3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, or

"(4) for casual labor not in the course of the employer's trade or business, or

"(5) for services by a citizen or resident of the United States for a foreign government or for the government of the Commonwealth of the Philippines, or

"(6) for services performed by a nonresident alien individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals, or

"(7) for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary, or

"(8) for services for an employer performed by a citizen or resident of the United States while outside the United States (as defined in section 3797 (a) (9)) if the major part of the services for such employer during the calendar year is to be performed outside the United States, or

"(9) for services performed as a minister of the gospel.

For the purpose of paragraph (8) services performed on or in connection with an American vessel (as defined in sec. 1426 (g)) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration, shall not constitute services performed outside the United States.

"(b) Pay-roll period: The term 'pay-roll period' means a period for which a payment of wages is ordinarily made to the employee by his employer, and the term 'miscellaneous pay-roll period' means a pay-roll period other than a weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual pay-roll period.

"(c) Employee: The term 'employee' includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term 'employee' also includes an officer of a corporation.

"(d) Employer: The term 'employer' means the person for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that—

"(1) if the person for whom the individual performs or performed the services does not

have control of the payment of the wages for such services, the term 'employer' (except for the purposes of subsection (a)) means the person having control of the payment of such wages; and

"(2) in the case of a person paying wages on behalf of a nonresident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, the term 'employer' (except for the purposes of subsection (a)) means such person.

"(e) Single person: The term 'single person' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that such person is single, or is married and not living with husband or wife, and is not the head of a family.

"(f) Married person: The term 'married person' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is married and living with husband or wife.

"(g) Married person claiming all of personal exemption for withholding: The term 'married person claiming all of personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims all of the personal exemption and that for the purposes of this subchapter his spouse is claiming none of the personal exemption.

"(h) Married person claiming half of personal exemption for withholding: The term 'married person claiming half of the personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims half of the personal exemption and that for the purposes of this subchapter his spouse is claiming not more than half of such exemption.

"(i) Married person claiming none of personal exemption for withholding: The term 'married person claiming none of the personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) making no claim with respect to the personal exemption for the purposes of this subchapter.

"(j) Head of family: The term 'head of a family' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is the head of a family.

"(k) Dependent: The term 'dependent' means a person included in a withholding exemption certificate in effect under section 1622 (h) as a person dependent upon and receiving his chief support from the employee and either under 18 years of age or incapable of self-support because mentally or physically defective.

"Sec. 1622. Income tax collected at source.

"(a) Requirement of withholding: Every employer making payment of wages shall withhold and collect upon such wages a tax equal to the greater of the following:

"(1) Twenty percent of the excess of each payment of such wages over the family status withholding exemption allowable under subsection (b) (1) (A), or

"(2) Three percent of the excess of each payment of such wages over the Victory tax withholding exemption allowable under subsection (b) (1) (B).

"(b) Withholding exemption.—

"(1) In computing the tax required to be withheld under subsection (a), there shall be allowed as a withholding exemption with respect to the wages paid for each pay-roll period—

"(A) in computing the tax required to be withheld under subsection (a) (1), a family status withholding exemption determined in accordance with the following schedule:

"Family status withholding exemption"

"Pay-roll period"	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly.....	\$12	\$24	\$12	0	\$6
Biweekly.....	24	48	24	0	12
Semimonthly.....	26	52	26	0	13
Monthly.....	52	104	52	0	26
Quarterly.....	156	312	156	0	78
Semiannually.....	312	624	312	0	156
Annually.....	624	1,248	624	0	312
Daily or miscellaneous (per day of such period).....	1.70	3.40	1.70	0	.85

"(B) In computing the tax required to be withheld under subsection (a) (2), a Victory tax withholding exemption determined in accordance with the following schedule:

"Pay-roll period:

Weekly.....	\$12.00
Biweekly.....	24.00
Semimonthly.....	26.00
Monthly.....	52.00
Quarterly.....	156.00
Semiannual.....	312.00
Annual.....	624.00
Daily or miscellaneous (per day of such period).....	1.70

Victory tax withholding exemption

"(2) If wages are paid with respect to a period which is not a pay-roll period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous pay-roll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any pay-roll period or other period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous pay-roll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date

of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than 1 week, the Commissioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer, in computing the tax required to be withheld, to use the excess of the aggregate of the wages paid to the employee during the calendar week over the withholding exemption allowed by this subsection for a weekly pay-roll period.

"(5) In determining the amount to be withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

"(c) Wage bracket withholding—

"(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be withheld under subsection (a):

If the pay-roll period with respect to an employee is weekly

And the wages are—		And, (1) such person is a married person claiming none of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependent	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents		
At least	But less than	Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (3) such person is a single person and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents						
		Or, (5) such person is head of a family and has—											
		No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
		The amount of tax to be withheld shall be—											
		\$0	\$10	\$1.00									
		10	15	2.50	\$1.30	\$0.10							
15	20	3.50	2.30	1.10	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20		
20	25	4.50	3.30	2.10	.90	.30	.30	.30	.30	.30	.30		
25	30	5.50	4.30	3.10	1.90	.70	.50	.50	.50	.50	.50		
30	40	7.00	5.80	4.60	3.40	2.20	1.00	.70	.70	.70	.70		
40	50	9.00	7.80	6.60	5.40	4.20	3.00	1.80	1.00	1.00	1.00		
50	60	11.00	9.80	8.60	7.40	6.20	5.00	3.80	2.60	1.40	1.30		
60	70	13.00	11.80	10.06	9.40	8.20	7.00	5.80	4.60	3.40	2.20		
70	80	15.00	13.80	12.60	11.40	10.20	9.00	7.80	6.60	5.40	4.20		
80	90	17.00	15.80	14.60	13.40	12.20	11.00	9.80	8.60	7.40	6.20		
90	100	19.00	17.80	16.60	15.40	14.20	13.00	11.80	10.60	9.40	8.20		
100	110	21.00	19.80	18.60	17.40	16.20	15.00	13.80	12.60	11.40	10.20		
110	120	23.00	21.80	20.60	19.40	18.20	17.00	15.80	14.60	13.40	12.20		
120	130	25.00	23.80	22.60	21.40	20.20	19.00	17.80	16.60	15.40	14.20		
130	140	27.00	25.80	24.60	23.40	22.20	21.00	19.80	18.60	17.40	16.20		
140	150	29.00	27.80	26.60	25.40	24.20	23.00	21.80	20.60	19.40	18.20		
150	160	31.00	29.80	28.60	27.40	26.20	25.00	23.80	22.60	21.40	20.20		
160	170	33.00	31.80	30.60	29.40	28.20	27.00	25.80	24.60	23.40	22.20		
170	180	35.00	33.80	32.60	31.40	30.20	29.00	27.80	26.60	25.40	24.20		
180	190	37.00	35.80	34.60	33.40	32.20	31.00	29.80	28.60	27.40	26.20		
190	200	39.00	37.80	36.60	35.40	34.20	33.00	31.80	30.60	29.40	28.20		
\$200 or over.....		20% of the excess over \$200 plus											
		\$40.00	\$38.80	\$37.60	\$36.40	\$35.20	\$34.00	\$32.80	\$31.60	\$30.40	\$29.20		

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$1.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is biweekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents		
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—									
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents		
				Or, (3) such person is a single person and has—									
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents		
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—									
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents				
				Or, (5) such person is head of a family and has—									
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents				
				The amount of tax to be withheld shall be—									
				\$0	\$20	\$2.00							
20	30	5.00	\$2.60	\$0.20									
30	40	7.00	4.60	2.20	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30		
40	50	9.00	6.60	4.20	1.80	.60	.60	.60	.60	.60	.60		
50	60	11.00	8.60	6.20	3.80	1.40	.90	.90	.90	.90	.90		
60	80	14.00	11.60	9.20	6.80	4.40	2.00	1.40	1.40	1.40	1.40		
80	100	18.00	15.60	13.20	10.80	8.40	6.00	3.60	2.00	2.00	2.00		
100	120	22.00	19.60	17.20	14.80	12.40	10.00	7.60	5.20	2.80	2.60		
120	140	26.00	23.60	21.20	18.80	16.40	14.00	11.60	9.20	6.80	4.40		
140	160	30.00	27.60	25.20	22.80	20.40	18.00	15.60	13.20	10.80	8.40		
160	180	34.00	31.60	29.20	26.80	24.40	22.00	19.60	17.20	14.80	12.40		
180	200	38.00	35.60	33.20	30.80	28.40	26.00	23.60	21.20	18.80	16.40		
200	220	42.00	39.60	37.20	34.80	32.40	30.00	27.60	25.20	22.80	20.40		
220	240	46.00	43.60	41.20	38.80	36.40	34.00	31.60	29.20	26.80	24.40		
240	260	50.00	47.60	45.20	42.80	40.40	38.00	35.60	33.20	30.80	28.40		
260	280	54.00	51.60	49.20	46.80	44.40	42.00	39.60	37.20	34.80	32.40		
280	300	58.00	55.60	53.20	50.80	48.40	46.00	43.60	41.20	38.80	36.40		
300	320	62.00	59.60	57.20	54.80	52.40	50.00	47.60	45.20	42.80	40.40		
320	340	66.00	63.60	61.20	58.80	56.40	54.00	51.60	49.20	46.80	44.40		
340	360	70.00	67.60	65.20	62.80	60.40	58.00	55.60	53.20	50.80	48.40		
360	380	74.00	71.60	69.20	66.80	64.40	62.00	59.60	57.20	54.80	52.40		
380	400	78.00	75.60	73.20	70.80	68.40	66.00	63.60	61.20	58.80	56.40		
\$400 or over.....		20% of the excess over \$400 plus—											
		\$80.00	\$77.60	\$75.20	\$72.80	\$70.40	\$68.00	\$65.60	\$63.20	\$60.80	\$58.40		

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.40 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 percent of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is semimonthly

And the wages are—		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents						
				Or, (5) such person is head of a family and has—											
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of tax to be withheld shall be—											
				\$0	\$20	\$2.00									
20	30	5.00	\$2.40												
30	40	7.00	4.40	\$1.80	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30				
40	50	9.00	6.40	3.80	1.20	.60	.60	.60	.60	.60	.60				
50	60	11.00	8.40	5.80	3.20	.90	.90	.90	.90	.90	.90				
60	80	14.00	11.40	8.80	6.20	3.60	1.30	1.30	1.30	1.30	1.30				
80	100	18.00	15.40	12.80	10.20	7.60	5.00	2.40	1.90	1.90	1.90				
100	120	22.00	19.40	16.80	14.20	11.60	9.00	6.40	3.80	2.50	2.50				
120	140	26.00	23.40	20.80	18.20	15.60	13.00	10.40	7.80	5.20	3.10				
140	160	30.00	27.40	24.80	22.20	19.60	17.00	14.40	11.80	9.20	6.60				
160	180	34.00	31.40	28.80	26.20	23.60	21.00	18.40	15.80	13.20	10.60				
180	200	38.00	35.40	32.80	30.20	27.60	25.00	22.40	19.80	17.20	14.60				
200	220	42.00	39.40	36.80	34.20	31.60	29.00	26.40	23.80	21.20	18.60				
220	240	46.00	43.40	40.80	38.20	35.60	33.00	30.40	27.80	25.20	22.60				
240	260	50.00	47.40	44.80	42.20	39.60	37.00	34.40	31.80	29.20	26.60				
260	280	54.00	51.40	48.80	46.20	43.60	41.00	38.40	35.80	33.20	30.60				
280	300	58.00	55.40	52.80	50.20	47.60	45.00	42.40	39.80	37.20	34.60				
300	320	62.00	59.40	56.80	54.20	51.60	49.00	46.40	43.80	41.20	38.60				
320	340	66.00	63.40	60.80	58.20	55.60	53.00	50.40	47.80	45.20	42.60				
340	360	70.00	67.40	64.80	62.20	59.60	57.00	54.40	51.80	49.20	46.60				
360	380	74.00	71.40	68.80	66.20	63.60	61.00	58.40	55.80	53.20	50.60				
380	400	78.00	75.40	72.80	70.20	67.60	65.00	62.40	59.80	57.20	54.60				
\$400 or over-----		20% of the excess over \$400 plus													
		\$80.00	\$77.40	\$74.80	\$72.20	\$69.60	\$67.00	\$64.40	\$61.80	\$59.20	\$56.60				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.60 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is monthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—										
					No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents					
					Or, (5) such person is head of a family and has—										
					No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents					
				The amount of the tax to be withheld shall be—											
				\$0	\$40	\$4.00									
40	50	9.00	\$3.80												
50	60	11.00	5.80	\$0.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10				
60	70	13.00	7.80	2.60	.40	.40	.40	.40	.40	.40	.40				
70	80	15.00	9.80	4.60	.70	.70	.70	.70	.70	.70	.70				
80	100	18.00	12.80	7.60	2.40	1.10	1.10	1.10	1.10	1.10	1.10				
100	120	22.00	16.80	11.60	6.40	1.70	1.70	1.70	1.70	1.70	1.70				
120	140	26.00	20.80	15.60	10.40	5.20	2.30	2.30	2.30	2.30	2.30				
140	160	30.00	24.80	19.60	14.40	9.20	4.00	2.90	2.90	2.90	2.90				
160	200	36.00	30.80	25.60	20.40	15.20	10.00	4.80	3.80	3.80	3.80				
200	240	44.00	38.80	33.60	28.40	23.20	18.00	12.80	7.60	5.00	6.00				
240	280	52.00	46.80	41.60	36.40	31.20	26.00	20.80	15.60	10.40	6.20				
280	320	60.00	54.80	49.60	44.40	39.20	34.00	28.80	23.60	18.40	13.20				
320	360	68.00	62.80	57.60	52.40	47.20	42.00	36.80	31.60	26.40	21.20				
360	400	76.00	70.80	65.60	60.40	55.20	50.00	44.80	39.60	34.40	29.20				
400	440	84.00	78.80	73.60	68.40	63.20	58.00	52.80	47.60	42.40	37.20				
440	480	92.00	86.80	81.60	76.40	71.20	66.00	60.80	55.60	50.40	45.20				
480	520	100.00	94.80	89.60	84.40	79.20	74.00	68.80	63.60	58.40	53.20				
520	560	108.00	102.80	97.60	92.40	87.20	82.00	76.80	71.60	66.40	61.20				
560	600	116.00	110.80	105.60	100.40	95.20	90.00	84.80	79.60	74.40	69.20				
600	640	124.00	118.80	113.60	108.40	103.20	98.00	92.80	87.60	82.40	77.20				
640	680	132.00	126.80	121.60	116.40	111.20	106.00	100.80	95.60	90.40	85.20				
680	720	140.00	134.80	129.60	124.40	119.20	114.00	108.80	103.60	98.40	93.20				
720	760	148.00	142.80	137.60	132.40	127.20	122.00	116.80	111.60	106.40	101.20				
760	800	156.00	150.80	145.60	140.40	135.20	130.00	124.80	119.60	114.40	109.20				
\$800 or over.....		20% of the excess over \$800 plus													
		\$160.00	\$154.80	\$149.60	\$144.40	\$139.20	\$134.00	\$128.80	\$123.60	\$118.40	\$113.20				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$5.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 percent of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period

And the wages divided by the number of days in such period are—		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—										
					No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents					
					Or, (5) such person is head of a family and has—										
					No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents					
				The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period											
				\$0	\$1	\$0.10									
1	2	.30	\$0.15												
2	3	.50	.35	\$0.15											
3	4	.70	.55		\$0.20	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05				
4	5	.90	.75	.55	.40	.20	.10	.10	.10	.10	.10				
5	6	1.10	.95	.75	.60	.40	.25	.10	.10	.10	.10				
6	7	1.30	1.15	.95	.80	.60	.45	.30	.15	.15	.15				
7	8	1.50	1.35	1.15	1.00	.80	.65	.50	.35	.15	.15				
8	9	1.70	1.55	1.35	1.20	1.00	.85	.70	.50	.35	.20				
9	10	1.90	1.75	1.55	1.40	1.20	1.05	.90	.70	.55	.35				
10	12	2.20	2.05	1.85	1.70	1.50	1.35	1.20	1.00	.85	.65				
12	14	2.60	2.45	2.25	2.10	1.90	1.75	1.60	1.40	1.25	1.05				
14	16	3.00	2.85	2.65	2.50	2.30	2.15	2.00	1.80	1.65	1.45				
16	18	3.40	3.25	3.05	2.90	2.70	2.55	2.40	2.20	2.05	1.85				
18	20	3.80	3.65	3.45	3.30	3.10	2.95	2.80	2.60	2.45	2.25				
20	22	4.20	4.05	3.85	3.70	3.50	3.35	3.20	3.00	2.85	2.65				
22	24	4.60	4.45	4.25	4.10	3.90	3.75	3.60	3.40	3.25	3.05				
24	26	5.00	4.85	4.65	4.50	4.30	4.15	4.00	3.80	3.65	3.45				
26	28	5.40	5.25	5.05	4.90	4.70	4.55	4.40	4.20	4.05	3.85				
28	30	5.80	5.65	5.45	5.30	5.10	4.95	4.80	4.60	4.45	4.25				
\$30 or over.....		20% of the excess over \$30 plus													
		\$6.00	\$5.85	\$5.65	\$5.50	\$5.30	\$5.15	\$5.00	\$4.80	\$4.65	\$4.45				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$0.15 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05 to the nearest multiple of \$0.05.

"(2) If wages are paid with respect to a period which is not a pay-roll period, the amount to be withheld shall be that applicable in the case of a miscellaneous pay-roll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any pay-roll period or other period, the amount to be withheld shall be that applicable in the case of a miscellaneous pay-roll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than 1 week, the Commissioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer to determine the amount to be withheld under the tables applicable in the case of a weekly pay-roll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

"(5) In determining the amount to be withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

"(d) Tax paid by recipient: If the employer, in violation of the provisions of this subchapter, fails to withhold and collect the tax under this subchapter, and thereafter the tax against which such tax may be credited is paid, the tax so required to be withheld and collected shall not be collected from the employer; but this subsection shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to withhold and collect.

"(e) Nondeductibility of tax in computing net income: The tax withheld and collected under this subchapter shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income for the purpose of any tax on income imposed by act of Congress.

"(f) Refunds or credits.—

"(1) Employers: Where there has been an overpayment of tax under this subchapter, refund or credit shall be made to the employer only to the extent that the amount of such overpayment was not withheld and collected under this subchapter by the employer.

"(2) Employees: For refund or credit in cases of excessive withholding, see section 322 (a).

"(g) Included and excluded wages: If the remuneration paid by an employer to an employee for services performed during one-half or more of any pay-roll period of not more than 31 consecutive days constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than one-half of any such pay-roll period does not constitute wages, then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

"(h) Withholding exemption certificates: Every employee receiving wages shall furnish his employer a signed withholding exemption certificate relating to his status for the purpose of computing the withholding exemption, or if the employer exercises his election under section 1622 (b) (relating to wage-bracket withholding), for the purpose of computing the amount to be withheld under such subsection. In case of a change of status, a new certificate shall be furnished

not later than 10 days after such change occurs. The certificate shall be in such form and contain such information as the Commissioner may, with the approval of the Secretary, by regulations prescribed. Such certificate—

"(1) If furnished after the date of commencement of employment with the employer, shall take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least 30 days from the date on which such certificate is furnished to the employer, except that at the election of the employer such certificate may be made effective with respect to any previous payment of wages made on or after the date of the furnishing of such certificate. For the purposes of this paragraph the term 'status determination date' means January 1 and July 1 of each year.

"(2) If furnished on or before the date of commencement of employment with the employer, shall take effect as of the beginning of the first pay-roll period ending, or the first payment of wages made without regard to a pay-roll period, on or after the date on which such certificate is furnished to the employer.

A certificate which takes effect under this subsection shall continue in effect with respect to the employer until another such certificate furnished by the employee takes effect under this subsection. If no certificate is in effect under this subsection with respect to an employee, such employee shall be treated, for the purposes of the withholding exemption, or in case the employer exercises his election under section 1622 (c) (relating to wage-bracket withholding), for the purpose of computing the amount to be withheld under such subsection, as a married person claiming none of the personal exemption for withholding.

"(i) Overlapping pay periods, and so forth: If a payment of wages is made to an employee by an employer—

"(1) with respect to a pay-roll period or other period, any part of which is included in a pay-roll period or other period with respect to which wages are also paid to such employee by such employer, or

"(2) without regard to any pay-roll period or other period, but on or prior to the expiration of a pay-roll period or other period with respect to which wages are also paid to such employee by such employer, or

"(3) with respect to a period beginning in one and ending in another calendar year—the manner of withholding and the amount to be withheld under this subchapter shall be determined in accordance with regulations prescribed by the Commissioner with the approval of the Secretary under which the withholding exemption allowed to an employee in any calendar year shall approximate the withholding exemption allowable with respect to an annual pay-roll period.

"(j) Withholding on basis of average wages: The Commissioner may, under regulations prescribed by him with the approval of the Secretary, authorize employers (1) to estimate the wages which will be paid to any employee in any quarter of the calendar year, (2) to determine the amount to be withheld and collected upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid, and (3) to withhold and collect upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually withheld and collected upon the wages of such employee during such quarter to the amount required to be withheld during such quarter without regard to this subsection.

"Sec. 1623. Liability for tax.

"The employer shall be liable for the payment of the tax required to be withheld and

collected under this subchapter, and shall not be liable to any person for the amount of any such payment.

"Sec. 1624. Return and payment by governmental employer.

"If the employer is the United States, or a State, territory, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return of the amount withheld and collected upon any wages may be made by any officer or employee of the United States, or of such State, territory, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose.

"Sec. 1625. Receipts.

"(a) Requirement: Every employer required to withhold and collect a tax in respect of the wages of an employee shall furnish to each such employee in respect of his employment during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of wages is made, a written statement showing the wages paid by the employer to such employee during such calendar year, and the amount of the tax withheld and collected under this subchapter in respect of such wages.

"(b) Statements to constitute information returns: The statements required to be furnished by this section in respect of any wages shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the secretary, may by regulations prescribe. A duplicate of such statement if made and filed in accordance with regulations prescribed by the Commissioner with the approval of the secretary shall constitute the return required to be made in respect of such wages under section 147.

"(c) Extension of time: The Commissioner, under such regulations as he may prescribe with the approval of the secretary, may grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the statements required to be furnished to employees under this section.

"Sec. 1626. Penalties.

"(a) Penalties for fraudulent receipt or failure to furnish receipt: In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof be fined not more than \$1,000, or imprisoned for not more than 1 year, or both.

"(b) Additional penalty: In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of not more than \$50.

"(c) Failure of employer to file return or pay tax: In case of any failure to make and file return or pay the tax required by this subchapter, within the time prescribed by law or prescribed by the Commissioner in

pursuance of law, unless it is shown that such failure is due to reasonable cause and not due to willful neglect, the addition to the tax shall not be less than \$10.

"(d) Penalties in respect of withholding exemption certificates: Any individual required to supply information to his employer under section 1622 (h) who willfully supplies false or fraudulent information, or who willfully fails to supply information thereunder which would require an increase in the tax to be withheld under section 1622, shall, in lieu of any penalty otherwise provided, upon conviction thereof, be fined not more than \$500, or imprisoned for not more than 1 year, or both.

"SEC. 1627. Other laws applicable.

"All provisions of law, including penalties, applicable with respect to the tax imposed by section 1400 shall, insofar as applicable and not inconsistent with the provisions of this subchapter, be applicable with respect to the tax under this subchapter.

"SUBCHAPTER E—GENERAL PROVISIONS

"SEC. 1630. Verification of returns, etc.

"(a) Power of commissioner to require: The Commissioner, under regulations prescribed by him with the approval of the Secretary, may require that any return, statement, or other document required to be filed under this chapter shall contain or be verified by a written declaration that it is made under the penalties of perjury, and such declaration shall be in lieu of any oath otherwise required.

"(b) Penalties: Every person who willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter, shall be guilty of a felony, and, upon conviction thereof, shall be subject to the penalties prescribed for perjury in section 125 of the Criminal Code.

"SEC. 1631. Use of Government depositaries in connection with payment of taxes.

"The Secretary may authorize incorporated banks or trust companies which are depositaries or financial agents of the United States to receive any taxes under this chapter in such manner, at such times, and under such conditions as he may prescribe; and he shall prescribe the manner, times, and conditions under which the receipt of such taxes by such depositaries and financial agents is to be treated as payment of such taxes to the collectors."

(b) Technical amendments.—

(1) Amendment to section 34: Section 34 of the Internal Revenue Code (cross reference) is amended by striking out "453, 454, and 466 (e)" and inserting in lieu thereof "453 and 454."

(2) Amendment to section 322: Section 322 (f) of the Internal Revenue Code (cross reference) is amended to read as follows:

"(f) Tax withheld at source: For refund or credit in case of withholding agent, see section 143 (f). For refund or credit in case of employer required to withhold tax on wages, see section 1622 (f)."

(c) Expiration date for withholding at source on wages under subchapter D of chapter 1: Section 476 of the Internal Revenue Code (prescribing the expiration date for the taxes imposed by subchapter D) is amended to read as follows:

"SEC. 476. Expiration date.

"The tax imposed by part I of this subchapter shall not apply with respect to any taxable year commencing after the date of cessation of hostilities in the present war. The tax imposed by part II of such subchapter shall not apply with respect to any wages paid after June 30, 1943."

(d) Effective date: The amendments made by subsections (a) and (b) shall take effect July 1, 1943, and shall be applicable to all wages paid on or after such date.

SEC. 3. Credit for tax withheld at source.

Section 35 of the Internal Revenue Code (relating to the credit for tax withheld on wages) is amended to read as follows:

"SEC. 35. Credit for tax withheld on wages.

"The amount withheld and collected as tax under subchapter D of chapter 9 during any calendar year upon the wages of any individual shall be allowed as a credit to the recipient of the income against the tax imposed by this chapter for the taxable year beginning in such calendar year. If more than one taxable year begins in any such calendar year, such amount shall be allowed as a credit against the tax for the last taxable year so beginning."

SEC. 4. Refunds.

(a) Excessive withholding, etc.: Section 322 (a) (2) of the Internal Revenue Code (relating to excessive withholding) is amended to read as follows:

"(2) Excessive withholding: Where the amount of the tax withheld at the source under part II of subchapter D or subchapter D of chapter 9 exceeds the taxes imposed by this chapter against which the tax so withheld may be credited under section 35 or 466 (e), the amount of such excess shall be credited against any income tax or installment thereof then due from the taxpayer, and any balance thereof shall be refunded immediately to the taxpayer.

"(3) Credits against estimated tax: The Commissioner is authorized to prescribe, with the approval of the Secretary, regulations providing for the crediting against the estimated tax for any taxable year of the amount determined by the taxpayer or the Commissioner to be an overpayment of the tax for a preceding taxable year."

(b) Presumption as to date of payment: Section 322 (e) of the Internal Revenue Code (relating to presumption as to date of payment) is amended to read as follows:

"(e) Presumption as to date of payment: For the purposes of this section, any tax actually withheld and collected at the source during any calendar year under part II of subchapter D or under subchapter D of chapter 9 shall, in respect of the recipient of the income, be deemed to have been paid by him on the fifteenth day of the third month following the close of his taxable year with respect to which such tax is allowable as a credit under section 35 or section 466 (e); except that in the case of a nonresident alien individual, it shall be deemed to have been paid by him on the fifteenth day of the sixth month following the close of such taxable year. For the purposes of this section, any amount paid as estimated tax for any taxable year shall be deemed to have been paid not earlier than the fifteenth day of the third month following the close of such taxable year."

(c) Delegation of authority to collectors to make refunds: Section 3770 (a) of the Internal Revenue Code (relating to authority to make refunds) is amended (1) by striking out "(4)" at the beginning of paragraph (4) and inserting in lieu thereof "(5)"; and (2) by inserting after paragraph (3) the following:

"(4) Delegation of authority to collectors to make refunds: The Commissioner is authorized to delegate, with the approval of the Secretary, to collectors any authority, duty, or function which the Commissioner is authorized or required to exercise or perform under paragraph (1), (2), or (3) of this subsection, or under section 322 or 1027, where the amount involved does not exceed \$1,000."

(d) Overpayments: Section 3770 of the Internal Revenue Code (relating to authority to make credits and refunds) is amended by inserting at the end thereof the following:

"(c) Rule where no tax liability: An amount paid as tax shall not be considered not to constitute an overpayment solely by reason of the fact that there was no tax lia-

bility in respect of which such amount was paid."

(e) Cross-reference: The last subsection of section 3771 of the Internal Revenue Code (relating to interest on overpayments) is amended to read as follows:

"(f) Estimated tax and tax withheld at source: For date of payment in respect of estimated tax and of tax withheld at source on wages, see section 322 (e)."

(f) Review of allowance of interest: Section 3790 of the Internal Revenue Code (prohibiting administrative review of Commissioner's decisions) is amended by inserting at the end thereof the following: "In the absence of fraud or mistake in mathematical calculation, the allowance or nonallowance by the Commissioner, of interest on any credit or refund under the internal-revenue laws shall not, except as provided in chapter 5, be subject to review by any other administrative or accounting officer, employee, or agent of the United States."

SEC. 5. Current payment of tax not withheld at source.

(a) In general: The Internal Revenue Code is amended by striking out sections 58, 59, and 60 and inserting in lieu thereof the following:

"SEC. 58. Declaration of estimated tax by individuals.

"(a) Requirement of declaration: Every individual (other than an estate or trust and other than a nonresident alien) shall, at the time during the taxable year prescribed in subsection (d), make a declaration of his estimated tax for the taxable year if—

"(1) his gross income from wages (as defined in section 1621)

"(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$2,700 for the taxable year; or did exceed \$2,700 for the preceding taxable year; or

"(B) in case such individual is married and living with husband or wife: can when added to the gross income which can reasonably be expected to be received by such husband or wife from wages (as so defined) reasonably be expected to exceed \$3,500 for the taxable year; or did when added to the gross income of such husband or wife from wages (as so defined) for the preceding taxable year, exceed \$3,500 for such preceding taxable year; or

"(2) his gross income from sources other than wages (as defined in section 1621).

"(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$100 for the taxable year and his gross income to be such as will require the making of a return for the taxable year under section 51; or did exceed \$100 for the preceding taxable year and such individual either was required to make a return under section 51 or 455 for such preceding taxable year or would have been so required if he had been single during the whole of such preceding taxable year; or

"(B) in case such individual is married and living with husband or wife: can when added to the gross income which can reasonably be expected to be received by husband or wife from such sources, reasonably be expected to exceed \$100 for the taxable year and the aggregate gross income of such husband and wife can reasonably be expected to be such as will require the making of a return under section 51 or 455; or did, when added to the gross income of such husband or wife from such sources for the preceding taxable year, exceed \$100 for such preceding taxable year and such individual would have been required to make a return under section 51 or 455 for such preceding taxable year if he had been married and living with husband or wife during the whole of such preceding taxable year.

"(b) Contents of declaration: In the declaration required under subsection (a) the individual shall state—

"(1) the amount which he estimates as the amount of tax under sections 11 and 12, or 400, as the case may be, and section 450, for the taxable year, without regard to any credits under sections 32, 35, and 466 (e);

"(2) the amount which he estimates as the credits for the taxable year under sections 32, 35, and 466 (e); and

"(3) the excess of the amount estimated under paragraph (1) over the amount estimated under paragraph (2), which excess for the purposes of this chapter shall be held and considered the estimated tax for the taxable year.

The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

"(c) Joint declaration by husband and wife: In the case of a husband and wife living together, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint return is not made for the taxable year, the estimated tax for such year may be treated as the estimated tax of either the husband or the wife, or may be divided between them.

"(d) Time and place for filing: The declaration required under subsection (a) shall be filed on or before the fifteenth day of the third month of the taxable year, except that if the requirements of subsection (a) are first met after such date, the declaration shall be filed on or before the fifteenth day of the last month of the quarter of the taxable year in which such requirements are first met. An individual may make amendments or revisions of a declaration filed under this subsection, under regulations prescribed by the Commissioner with the approval of the Secretary. If so made, such amendments or revisions shall be filed on or before the fifteenth day of the last month of any quarter of the taxable year subsequent to that in which the declaration was filed and in which no previous amendments or revisions have been made or filed. Declarations and amendments and revisions thereof shall be filed with the Collector specified in section 53 (b) (1).

"(e) Extension of time: The Commissioner may grant a reasonable extension of time for filing declarations and paying the estimated tax, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than 6 months.

"(f) Persons under disability: If the taxpayer is unable to make his own declaration, the declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

"(g) Signature presumed correct: The fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

"(h) Publicity of declaration: For the purposes of section 55 (relating to publicity of returns), a declaration of estimated tax shall be held and considered a return under this chapter.

"Sec. 59. Payment of estimated tax.

"(a) In general: The estimated tax shall be paid in four equal installments except that—

"(1) if the declaration is filed (otherwise than pursuant to an extension of time) after the fifteenth day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining

in the taxable year (including the quarter in which the declaration is filed); and

"(2) if any amendment or revision of a declaration is filed, the remaining installments shall be ratably increased or decreased, as the case may be, to reflect the increase or decrease, as the case may be, in the estimated tax by reason of such amendment or revision; and

"(3) at the election of the individual, any installment of the estimated tax may be paid prior to the date prescribed for its payment. One installment of the estimated tax shall be paid at the time of making the declaration, and an installment thereof shall be paid on the fifteenth day of the last month of each succeeding quarter of the taxable year. Payment of any installment of the estimated tax shall be considered payment on account of the tax for the taxable year.

"(b) Assessment: The estimated tax shall be assessed only to the extent paid.

"Sec. 60. Special rules for application of sections 58 and 59.

"(a) Farmers: In the case of an individual whose estimated gross income from farming for the taxable year is at least 80 percent of the total estimated gross income from all sources for the taxable year, in lieu of the time prescribed in section 58 (d), the declaration for the taxable year may be made at any time on or before the fifteenth day of the last month of the taxable year.

"(b) Application to short taxable years: The application of sections 58, 59, and 294 (a) (3), (4), and (5) to taxable years of less than 12 months shall be as prescribed in regulations prescribed by the Commissioner with the approval of the Secretary.

"(c) Application to taxable years beginning in 1943: If the taxable year is the calendar year 1943, the 15th day of September 1943 shall be substituted for the 15th day of March for the purposes of section 58 (d). If the taxable year begins in 1943 after January 1, the date which shall be substituted for the fifteenth day of the third month of the taxable year for the purposes of section 58 (d) shall be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary. In either case installments of the estimated tax for such taxable year payable after September 1, 1943, shall be ratably decreased to reflect the payments on account of a taxable year beginning in 1942 which are treated as payments on account of the estimated tax for a taxable year beginning in 1943."

(b) Additions to tax: Section 294 (a) of the Internal Revenue Code (relating to additions to tax in case of nonpayment) is amended by inserting at the end thereof the following:

"(3) Failure to file declaration of estimated tax: In the case of a failure to make and file a declaration of estimated tax within the time prescribed, there shall be added to the tax an amount equal to 10 percent of the tax.

"(4) Failure to pay installment of estimated tax: In the case of the failure to pay an installment of the estimated tax within the time prescribed there shall be added to the tax \$2.50 or 2½ percent of the tax, whichever is the greater, for each installment with respect to which such failure occurs.

"(5) Substantial underestimate of estimated tax: If 80 percent of the tax (determined without regard to the credits under sections 32, 35, and 466 (e) in the case of individuals other than farmers exercising an election under section 60 (a) or 66½ percent of such tax so determined in the case of such farmers, exceeds the estimated tax (increased by such credits) there shall be added to the tax an amount equal to such excess or equal to 6 percent of the amount by which such tax so determined exceeds the estimated tax so increased, whichever is the lesser. This paragraph shall not apply to the taxable year in which falls the death of the taxpayer."

(c) Penalties: Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after "return" wherever appearing therein the words "or declaration", and (2) by inserting before "tax" wherever appearing therein the words "estimated tax or."

(d) Payment by installments: Section 56 (b) of the Internal Revenue Code (relating to installment payments) is amended by striking out "The" at the beginning thereof and inserting in lieu thereof "Except in the case of an individual (other than an estate or trust or other than a nonresident alien), the."

(e) Taxable years to which applicable: The amendments made by this section shall be effective with respect to taxable years beginning after December 31 1942.

Sec. 6. Relief from double payments in 1943.

(a) In general: This subsection shall be applicable with respect to the taxable year 1942 but shall not take effect until September 1, 1943. The tax imposed by Chapter 1 of the Internal Revenue Code upon any individual (other than an estate or trust and other than a nonresident alien) shall, in lieu of that otherwise imposed, be a tax determined in accordance with the following schedule:

If the tax determined without regard to this subsection is

More than	But not more than	The tax shall be
\$0	\$60	\$0.
60	600	50% of excess over \$60.
600	1,000	\$270, plus 60% of excess over \$600.
1,000	1,400	\$510, plus 65% of excess over \$1,000.
1,400	2,000	\$770, plus 69% of excess over \$1,400.
2,000	2,500	\$1,184, plus 71% of excess over \$2,000.
2,500	3,000	\$1,539, plus 73% of excess over \$2,500.
3,000	3,500	\$1,904, plus 75% of excess over \$3,000.
3,500	4,000	\$2,279, plus 77% of excess over \$3,500.
4,000	6,000	\$2,664, plus 78% of excess over \$4,000.
6,000	7,000	\$4,224, plus 79% of excess over \$6,000.
7,000	8,000	\$5,014, plus 81% of excess over \$7,000.
8,000	10,000	\$5,824, plus 82% of excess over \$8,000.
10,000	15,000	\$7,464, plus 83% of excess over \$10,000.
15,000	30,000	\$11,614, plus 85% of excess over \$15,000.
30,000	45,000	\$24,364, plus 84% of excess over \$30,000.
45,000	60,000	\$36,964, plus 83% of excess over \$45,000.
60,000	130,000	\$49,414, plus 81% of excess over \$60,000.
130,000	160,000	\$106,114, plus 80% of excess over \$130,000.
160,000	200,000	\$130,114, plus 82% of excess over \$160,000.
200,000	240,000	\$162,914, plus 83% of excess over \$200,000.
240,000	255,000	\$196,114, plus 84% of excess over \$240,000.
255,000	290,000	\$208,714, plus 85% of excess over \$255,000.
290,000	385,000	\$238,464, plus 86% of excess over \$290,000.
385,000	525,000	\$320,164, plus 87% of excess over \$385,000.
525,000	715,000	\$441,964, plus 88% of excess over \$525,000.
715,000	1,055,000	\$609,164, plus 86% of excess over \$715,000.
1,055,000	2,150,000	\$911,764, plus 90% of excess over \$1,055,000.
2,150,000	4,200,000	\$1,897,264, plus 91% of excess over \$2,150,000.
4,200,000	4,500,000	\$3,762,764, plus 92% of excess over \$4,200,000.
4,500,000	-----	\$4,038,764, plus 92.05% of excess over \$4,500,000.

(b) Time for payment of reduced 1942 tax: In lieu of the time prescribed in section 56 of the Internal Revenue Code for the payment of the tax imposed by chapter 1 of the Internal Revenue Code, as reduced under

subsection (a), upon an individual (other than an estate or trust and other than a nonresident alien) for a taxable year beginning in 1942, such tax as so reduced shall be paid as follows: One-third thereof on or before the 15th day of the 27th month following the beginning of such taxable year, one-third on or before the fifteenth day of the 39th month following the beginning of such taxable year, and one-third on or before the 15th day of the 51st month following the beginning of such taxable year.

(c) Treatment of payments on account of 1942 tax: Any payment (other than interest and additions to the tax) made on account of the tax imposed by chapter 1 of the Internal Revenue Code for the taxable year 1942 upon a taxpayer any part of whose liability for such tax is discharged under subsection (a) shall be considered as payment on account of the estimated tax for the taxable year 1943. In the case of any extension of time for the payment of such tax granted by the Commissioner prior to September 1, 1943, payment of the portion thereof which if such extension had not been granted would have been payable under section 56 (b) prior to such date shall be made notwithstanding subsection (a), but the foregoing provisions of this subsection shall apply to any such payment. In case the taxpayer becomes delinquent, prior to September 1, 1943, in the payment of such tax or any installment thereof, subsection (a) shall not relieve the taxpayer of his liability for the tax, but the foregoing provisions of this subsection shall be applicable to payment of such liability. If any payment on account of the tax imposed by such chapter for the taxable year 1942 is made pursuant to a joint return made by husband and wife for such taxable year, and such payment is considered as a payment on account of the estimated tax for the taxable year 1943, such payment may be treated as a payment on account of the estimated tax of either the husband or the wife for such taxable year or may be divided between them.

(d) Extension of time for payment of reduced 1942 tax: Where it is shown to the satisfaction of the Commissioner that the payment of any installment under subsection (c) upon the date prescribed for the payment thereof will result in undue hardship to the taxpayer the Commissioner, under regulations prescribed by the Commissioner, with the approval of the Secretary, may grant an extension for the payment of such installment for a period not in excess of 18 months, and, in exceptional cases, for a further period of not in excess of 18 months. If an extension is granted, the Commissioner may require a taxpayer to furnish a bond in such amount, not exceeding double the amount of the installment, with such sureties, as the Commissioner deems necessary, conditioned upon the payment of the installment in accordance with the terms of the extension. If the time for the payment of any installment is extended, there shall be collected, as a part of the tax, interest on the installment at the rate of 6 percent per annum for the period of the extension, and no other interest shall be collected on such installment for such period. If the installment the time for the payment of which is so extended is not paid in accordance with the terms of the extension, there shall be collected, as a part of the tax, interest on the unpaid amount at the rate of 6 percent per annum for the period from the time fixed by the terms of the extension for its payment until it is paid, and no other interest shall be collected on such unpaid amount for such period.

(e) For the purposes of this section the term "taxable year 1942" means a taxable year beginning in the calendar year 1942, but shall not include any period of less than 12 months unless occasioned by the death

of the taxpayer or unless there is no taxable year of 12 months beginning in such calendar year.

SEC. 7. Discount for advance payment of deferred 1942 tax.

In addition to the credits against the tax allowed by chapter 1 of the Internal Revenue Code, there shall be allowed as a credit against the tax imposed by such chapter upon an individual with respect to whom and for the taxable year with respect to which section 5 (a) is applicable—

(1) an amount equal to 6 percent of such tax if such tax is paid on or before the 15th day of the twenty-seventh month following the beginning of such taxable year, or

(2) an amount equal to 2 percent of such tax if the first installment thereof is paid within the time prescribed in section 5 (b) and the last two installments are paid on or before the 15th day of the thirty-ninth month following the beginning of such taxable year.

SEC. 8. Additional allowance for members of armed forces.

(a) In general: Section 22 (b) (13) of the Internal Revenue Code (relating to additional allowance for military and naval personnel in computing net income) is amended to read as follows:

"(13) Additional allowance for military and naval personnel: In the case of compensation received during any taxable year and before the termination of the present war as proclaimed by the President, by a member of the military or naval forces of the United States for active service in such forces during such war, so much of such compensation as does not exceed \$1,500."

(b) Effective date: The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1942.

SEC. 9. Abatement of tax for members of armed forces upon death.

Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

"SUPPLEMENT U—ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES UPON DEATH

"SEC. 421. Abatement of tax for members of armed forces upon death.

"In the case of any individual who dies on or after December 7, 1941, while in active service as a member of the military or naval forces of the United States and prior to the termination of the present war as proclaimed by the President, the tax under this chapter (including interest, additions to the tax, and additional amounts) attributable to earned net income (as defined in section 25 (a) (4)) received or accrued by him shall not be assessed, and if assessed, the assessment shall be abated, and if collected shall be credited or refunded as an overpayment, in the following amounts and for the following taxable years:

"(1) If such individual entered upon such service before the commencement of the taxable year beginning in 1943:

"(A) the entire amount of the tax so attributable for the taxable year in which falls the date on which he entered upon such service or September 16, 1940, whichever date is the later;

"(B) the entire amount of the tax so attributable for all subsequent taxable years during which he was in such service; and

"(C) that portion of the tax so attributable for the taxable year last preceding the date on which he entered upon such service or September 16, 1940, whichever date is the later, which bears the same ratio to the total tax so attributable as the number of quarters in the taxable year described in subparagraph (A) subsequent to the date on which he entered upon such service or September 16, 1940, whichever date is the later, bears to four; or

"(2) if such individual entered upon such service during the taxable year beginning in 1943:

"(A) that portion of the tax for the taxable year beginning in 1943, which bears the same ratio to the total tax so reduced as the number of quarters in such taxable year subsequent to the date on which he entered upon such service bears to four, to the extent that such portion is so attributable;

"(B) the entire amount of the tax so attributable for all subsequent taxable years during which he was in such service; and

"(C) the entire amount of the tax so attributable for the taxable year beginning in 1942; or

"(3) if such individual entered upon such service after the close of the taxable year beginning in 1943:

"(A) that portion of the tax for the taxable year beginning in 1942 so attributable which falls due (otherwise than by an extension of time) subsequent to the date of entering upon such service; and

"(B) the entire amount of the tax so attributable for all taxable years during the whole of which he was in such service.

The computations required by this section shall be made in conformity with regulations prescribed by the Commissioner with the approval of the Secretary. For the purposes of this section, a fractional part of a quarter shall be disregarded unless it exceeds 15 days, in which case it shall be considered a quarter."

SEC. 10. Assistant commissioners.

Subchapter B of chapter 39 of the Internal Revenue Code is amended to read as follows:

"SUBCHAPTER B—ASSISTANT COMMISSIONERS

"SEC. 3905. Appointment.

"There shall be in the Bureau of Internal Revenue two Assistant Commissioners, who shall be appointed by the President, by and with the advice and consent of the Senate.

"SEC. 3906. Duties.

"The Assistant Commissioners shall perform such duties as may be prescribed by the Commissioner or required by law."

SEC. 11. Extension of time in connection with release of powers of appointment.

Section 403 (d) (3) of the Revenue Act of 1942 is amended by striking out "July 1, 1943" wherever it appears and inserting in lieu thereof "March 1, 1944"; and section 452 (c) of the Revenue Act of 1942 is amended to read as follows:

"(c) Release before March 1, 1944.—

"(1) A release of a power to appoint before March 1, 1944, shall not be deemed a transfer of property by the individual possessing such power.

"(2) This subsection shall apply to all calendar years prior to 1944 and to that part of the calendar year 1944 prior to March 1, 1944."

Mr. CONNALLY. Mr. President, the amendment which I have offered is sometimes known as the Doughton bill and sometimes known as the House Ways and Means Committee bill.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Missouri?

Mr. CONNALLY. I yield.

Mr. CLARK of Missouri. Does the amendment offered by the Senator represent the first, second, third, or fourth Doughton bill?

Mr. CONNALLY. With his wide knowledge of tax matters, all in the world the Senator from Missouri has to do is to look at it, and I know he will understand which one it is.

Mr. CLARK of Missouri. As there were about a dozen, I am not certain anyone could recognize which is which. The Senator referred to it as the Doughton bill. There were several different bills known as Doughton bills and several different bills known as Ways and Means Committee bills, none of which got to first base in the House of Representatives, and I was curious to know which one the Senator is proposing.

Mr. CONNALLY. I will tell the Senator, but the Senator is not asking for information. He is asking in order to try to confuse and embarrass the Senator from Texas.

Mr. CLARK of Missouri. That would be impossible, I will say to the Senator; it would be like "carrying coals to Newcastle."

Mr. CONNALLY. I thank the Senator, but when he sticks his knife in my ribs he cannot divert me by sticking a flower at my nose. [Laughter.] As a matter of fact, this was the bill which was reported, as I now recall, by the House Ways and Means Committee on the 30th of April. The Senator knows that the 30th of April is the day before the 1st of May, and if he looks he will see that the bill was reported by the House Ways and Means Committee on the 30th of April.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. CLARK of Missouri. Of course, it would have been much more appropriate if the bill had been reported on the 1st day of April, but the Senator has sufficiently identified the numerical succession of the Doughton bill to the Ways and Means Committee bill to which he is now referring.

Mr. CONNALLY. I will say to the Senator that the bill should really have been offered on the 1st of April, because it is really intended to fool people by the Rumpl plan. Those sponsoring it may fool them now, but I say to the Senator from Missouri and to other Senators that before they cease hearing about the Rumpl plan they are going to find out that while it may fool some of the people, all the people of the United States are not going to be fooled as to the purpose, the intent, and the effect of the Rumpl plan.

A few days ago, after I had left the Chamber, the Senator from Michigan and the Senator from Connecticut made some animadversions as to what the Senator from Texas had said and contended. Their contention is, as I understand, that they are not proposing to give away anything, that the Treasury is really to get more money by giving away \$9,000,000,000 or \$11,000,000,000 than if it is not given away. If the supporters of the Rumpl plan are convinced that they are not being given anything, the plan is going to blow up. If Mr. Rumpl, and all the others from whom Senators are getting telegrams whooping up the Rumpl plan, are convinced that when it is adopted they are not going to get any money back, that they are not going to get any cancellation, that they are not going to get any increase of their assets, the Rumpl plan will be blown out of the water. So its supporters had better act quickly,

they had better vote on it quickly, because if those sponsoring it outside ever come to believe they are not to receive anything, the bill is going to collapse.

Mr. President, I have seen a great many magicians in my time, starting when I was a country boy, at the Indian show, the entrance fee a dime, proceeding from the lowest and coming to the real experts of the present day. I have seen them put rabbits under the hat, and then when the hat is lifted the rabbit is not there; it is over somewhere else, in somebody else's hat. But of all the magicians' tricks I ever saw, the greatest is the supposed theory of the Rumpl plan—that we can forgive or abate or cancel \$9,000,000,000 that are due to the United States on the tax books and not give somebody something. That suggestion is the most astounding, the most shocking to my imagination, and the most amazing to what little reason I have than any other I have ever heard in all the history of my short, uneventful, obscure life. [Laughter.]

Mr. President, what would this bill do? I understand that one Senator—I believe it was the Senator from Connecticut—said after I left the Chamber a few days ago that I had indicated I proposed to vote for the George plan in substitution for the Rumpl plan, and therefore there was no principle involved in my viewpoint but a question of rates only. If the Senator from Connecticut had done me the honor either to read or to listen to what I stated, he would have observed that I said throughout the debate that I was not in favor of forgiving or canceling a single dollar that is now due.

If there is a desire to adopt the withholding tax, very well, I have no objection to adopting the withholding tax as to salaries and wages for 1943, and crediting it to a man's taxes for 1943. That is not inconsistent with keeping the tax system as we have it now.

Oh, but gentlemen say we want to make taxpayers current. Oh, yes; we have to pay taxes. When we assessed the 1942 tax to be paid in March 1943, a man cannot be paying it out of the income of 1943 because he has not received the 1943 income, except for 2½ months. He is paying it out of what he saved and accumulated in 1942 with which to pay the 1942 taxes, and if he has not saved it, is it very wise to teach the people to do that very thing—to accumulate during the year the money with which to pay their taxes in March of the following year.

When we pay our State and county taxes, do we pay them by the day or the month in advance? No, we pay them at the end of the year. When do we pay our rent—every morning, or at the end of the month? When do we pay our grocery bill—before we eat the groceries, or after we have eaten them at the end of the month?

Mr. President, with the condition of the Treasury of the United States as it is, with this colossal war debt hanging over us, I cannot see how we can afford to give away \$9,000,000,000 of money now due to the Treasury of the United States.

Let me remind Senators that, under the present laws, revenues from indi-

vidual income taxes amount to about \$13,000,000,000 under the most favorable circumstances. We have to raise \$16,000,000,000 more, it is said. Where are we to get it? Unless corporation taxes are raised—and you are not in favor of that, oh, no—unless corporation taxes are raised we must get the money from the individual income taxpayers, and that means that we will have to more than double the tax on the man with five or ten or fifteen or twenty thousand dollars of income, and even on the \$3,000 man and on all the men and women in the lower brackets. We will have to more than double the present taxes in order even to get \$13,000,000,000, and in the face of that, it is proposed that we give away \$9,000,000,000.

Mr. President, I offer the Doughton plan, which provides in substance as follows: It adopts for 1942 the 1941 tax rates. It does not give the money all away, it gives some of it away, it remits some of it, it puts the tax back on the 1941 basis. That is the same basis which was arrived at by the committee and the Congress after consideration and after the most careful examination. It is a reasonable and a logical basis.

As to current payments, it provides for the same kind of current payments as provided in the bill now before us, the same as the Finance Committee bill provides for. It provides for withholding at the source, the same as the Finance Committee bill. That is the so-called Rumpl plan. It recomputes the 1942 tax at the 1941 rates and exemptions. It forgives the difference between that and the present 1942 tax. It spreads the payment of the balance, not forgiven, over 3 years. The taxpayer will have 3 years in which to pay the 1942 tax. He will have to pay only one-third of it in the same year in which he pays his tax for 1943. I understand there is a provision in the bill which authorizes the Commissioner to grant an additional 3 years to the taxpayer in an extreme case, if he can make a showing that it will be a hardship to him to pay the tax in 3 years.

The substitute which I offer forgives four and a half billion dollars, which is much less than is forgiven either under the George plan or the Senate Finance Committee plan, and only one-half as much as would be handed out under the Rumpl plan. The forgiveness, the deduction, or the abatement, would be distributed fairly, and would not discriminate in favor of the incomes in the higher brackets, as would the other plans.

For the fiscal year 1944 the revenue receipts would be increased, under the substitute, by \$3,000,000,000, which is a starter at least on the \$16,000,000,000 we are expecting to raise.

Mr. President, in brief I have stated what the substitute proposes. I do not wish to take the time of the Senate further; I was about to say I think it understands these questions, but it does not.

Mr. TYDINGS. Mr. President—
The PRESIDING OFFICER (Mr. CHANDLER in the chair). Does the Senator from Texas yield to the Senator from Maryland?

Mr. CONNALLY. I yield.

Mr. TYDINGS. I have been studying the table on page 15 of the committee report to ascertain how much actual money would come into the Treasury under any of the plans which are now before us, or which are suggested. I can see how the income in the form of liability can be distributed, and frankly there is not a great deal of difference between the five or six plans set forth on page 15 with respect to income-tax liability. But when we come to the section "Income Tax Liabilities Due and Payable Into the Treasury" in fiscal years there is a wide difference. To Senators who serve on the Finance Committee this table probably is understandable. Frankly, to me it is not altogether clear as to how much less money, actual cash, will come into the Treasury under this, or that, or the other plan, as compared with existing law.

Mr. CONNALLY. I do not have the report before me. If the Senator will lend me his copy I shall be glad to examine it. I will say to the Senator it is perfectly understandable that in such a period as we are now going through, when incomes are rising and are higher than they have ever been, by the forgiveness of the 1942 tax entirely and the speeding up and inducement to people to pay their taxes currently, probably there would be more actual cash coming in for a time than there would be under the old system, because under the old system the taxpayers can pay quarterly or semiannually. There, Mr. President, lies the trick. A "basement sale," as it were, is put on, and a great deal of money is brought in suddenly, but after that the market falls off for the succeeding month. By that "sale" an inducement is offered, the taxpayers are stimulated to come in and pay the 1943 taxes.

Let me say to the Senator from Maryland that this is something we cannot view simply for 1 year or for 2 or 3 years. We are obliged to view the long picture of the great national debt we owe, and whenever we forgive certain obligations, whether the tax money comes in cash at once or not, we are giving away an asset which would ultimately find its way into the Treasury and offset the public debt.

Mr. TYDINGS. As I understand the philosophy of the Senator's argument, it is that if we waive or cancel or forgive the tax for that year in which the Nation's income is large, the tax for that year is gone forever, and it can only be replaced later on by a tax in a year in which the income of the Nation is smaller.

Mr. CONNALLY. That is correct.

Mr. TYDINGS. What I wanted to know, however, is how much money will come to the Treasury in this particular year under the different plans which are proposed. I am confused with respect to how much money would flow into the Treasury under the House plan, the old law, the Senate Finance Committee plan, the substitute offered by the Senator from Texas, and so forth.

Mr. CONNALLY. I will say to the Senator that the George plan, for instance, breaks up the payment of the 25 percent into 2 years, and the taxpayers must pay

12½ percent of the 25 percent in the first year. It is perfectly conceivable that that will produce more revenue for the moment than the so-called Ruml plan. Under the House Ways and Means Committee bill the taxpayer would be required to pay only one-third of his 1942 taxes at the rate of 1941. I am not prepared, I will say to the Senator from Maryland, and I do not have the time now to go into all the questions involved. I will call some of the experts to give me certain information.

Mr. TYDINGS. I do not want to divert the Senator from his argument.

Mr. CONNALLY. Such a maze exists, I will say to the Senator from Maryland, with respect to the different plans, that, with all deference to the Committee on Finance, I will say that I do not think there is anyone on the committee who completely understands all the angles and reactions. Taxation with us has become such a complex and involved matter that the Finance Committee in considering tax bills at any time could never make any progress or headway if it did not have available the experts of the Treasury. When a question arises we call on them for information as to what the effect of certain proposals would be, what the repercussions would be, what the reactions would be, and we are obliged to act on the basis of the information thus furnished.

Mr. President, the point I am trying to make, however, is that we cannot forgive—I do not care what year it is—a tax liability and maintain the financial or statistical position of the Government. If I go to a bank to borrow money the banker will say, "Mr. CONNALLY, we want a financial statement from you." I list on that statement what little chips and whetstones I possess. The banker will ask, "Have you any credit? Does anyone owe you anything?" That credit is one of my assets. He takes that into consideration. He looks forward to the time when payment is due and thinks that perhaps I will be able to pay him out of collections of what people owe me. It is not required that I have cash money in my pocket, but he wants to know that I have the resources with which to pay my loan.

Mr. President, if taxpayers pay 1942 taxes and then pay 1943 taxes, the Government will have 2 years' taxes, will it not, in its Treasury? If they simply pay 1943 taxes, the Government will never have the 1942 taxes in the Treasury until kingdom come. It will never be there.

I wish to remind Senators that now is the flush period. We are in a period of great profits. We are in a period of prosperity. We are in a period of rising income. But when the war is over, when the accelerated rate of income from war production and war activities comes to an end, we are going to have a period of declining incomes and declining revenues. We probably will have an economic panic, and then, by reason of the decline, is the time when we shall have to put heavier and heavier taxes on the

people. The rates will have to go up above the rates we now have levied.

Mr. President, I regret that I seem to be in a minority on this theory, but I cannot consent to abate or forgive \$9,000,000,000 of the Treasury's money, the people's money, the Government's money, in order to lure somebody into current payment. The substitute which I offer carries the deduction principle. I am perfectly willing to take 20 percent out of my salary and have 20 percent taken out of the wages and salaries of everyone else, but the idea that the little income taxpayers are evading taxes, and that there are large defaults, is denied by the statistics of the Treasury Department. The statistics of the Treasury Department show that only a fraction of 1 percent of the taxpayers are in default.

Mr. President, it has been said that men receiving \$10 or \$15 a day in war plants will not pay their income taxes. There is a way to make them pay the taxes. There is a way to teach them how to save against the hour of payment. If they are to be tax-conscious, ought they not to know of the obligation they owe to the Government of the United States, which has made it possible for them to receive greatly enhanced incomes, and should they not save and provide to pay their taxes when they are due?

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. MURDOCK. If we adopt the 20-percent withholding tax about which the Senator is talking and to which every other Senator who has spoken on the question has referred, does it make any difference at all to the Treasury in which year the 20 percent is credited? Whether it is credited to 1942 or 1943, exactly the same number of dollars will flow into the Treasury.

Mr. CONNALLY. The Senator is correct.

Mr. MURDOCK. Then why is it not the sensible and the simple thing to continue under the present tax law and add the 20-percent withholding tax.

Mr. CONNALLY. That is exactly what the Senator from Texas favors.

Mr. MURDOCK. And that is what the amendment offered by the Senator's colleague [Mr. O'DANIEL] would accomplish.

Mr. CONNALLY. I am going to vote for that amendment.

Mr. MURDOCK. I think that by the adoption of that amendment we would resolve this question very simply, and accomplish exactly what we all want to accomplish, and not forgive or double up.

Mr. CONNALLY. The Senator has stated my position as I announced it the first time I spoke on the bill. I see no reason on earth, I say to the Senator from Utah, for forgiving anything. I should prefer that we go right on under the present tax system, and then levy the withholding tax, if it is desirable, for future years, and credit it to the taxpayer's account. That is all.

Mr. MURDOCK. That is right; and that is exactly my position. I think the Senator is correct.

Mr. CONNALLY. Mr. President, I was talking about the percentage of delinquencies. I have before me a table coming from the Treasury Department, showing that in 1941, the delinquencies amounted to five-tenths of 1 percent, or one-half of 1 percent. For 1942 taxes—I suppose the figures relate to the returns—three-tenths of 1 percent were all that were delinquent; for 1940, 1.2 percent; for 1939, 1.2 percent.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. TYDINGS. I should like to ask if the figures the Senator is reading are for the persons who filed income-tax returns but neglected to pay the taxes when they were due, or whether they are for those who should have filed income-tax returns because their incomes were sufficiently large, but did not file them.

Mr. CONNALLY. The figures relate to the first branch of the Senator's inquiry, for when persons who should file income-tax returns do not file them at all, it is very difficult to find out who they are.

Mr. TYDINGS. That is correct.

Mr. CONNALLY. There is the main argument in favor of making the deductions.

Mr. TYDINGS. Mr. President, if the Senator will allow me to interject at this point, let me say that I think one of the reasons why we have before us the tax-withholding plan, as I understand it, has been the supposition that many persons who heretofore have not paid income taxes have for the first time been shuttled into the income-tax brackets, but have not bothered to pay the taxes; and, therefore, the withholding tax is a device to reach them.

Mr. CONNALLY. That is correct.

Mr. TYDINGS. I have not been advised, beyond that, that there is any need for the withholding system. I still have an open mind on the subject, of course.

Mr. CONNALLY. Let me say to the Senator that, of course, he has put his finger on a very sensitive point. All the argument for the Ruml plan is based on the theory that it is necessary to have payments made currently because otherwise many persons will not file returns at all. But if the deductions or withholdings are to be provided for the people in that particular class, by providing that portions of all wages and salaries shall be withheld—for that is about the only way it can be done; it can be done only as to current salaries and wages; it cannot be done as to a grocer's business or other businesses of that sort—the difficulties will be met by the withholding provision, and at the same time we can go on with the present system in other respects. That is my point of view.

Mr. President, I do not want to take up any more time. When the Ruml plan was proposed, the people of the country and the Congress, in my opinion, were absolutely astounded. Then there opened up the campaign of propaganda over the radio, through the press, and by means of telegrams; and the thought of the desirability of getting current all at once

took possession of the minds of a large segment of our population. But, Mr. President, the way to get current is not to give away what is due. The way to get current is to provide for withholdings to be made—if a system of withholding is desired—from the earnings of those who are not paying income taxes or who have not been in the habit of paying them, and to let the remainder of the people go right on paying as they have always paid. I pay every year; every other Member of the Senate pays every year. If we pay every year, what difference does it make to us whether theoretically the payment is made on 1942 or on 1943 incomes? Only our administrator or executors will be interested in that particular matter, at the time of our deaths.

So, Mr. President, as I have stated, I am against any remission or any abatement; but I offer the amendment for those Senators who want to provide some forgiveness and yet who are not prepared to swallow the Ruml plan.

The amendment in its entirety would amount to giving away about half as much—four and one-half billion dollars—as would the Ruml plan. Its rates are more equitably adjusted. The large taxpayers would not be given any favoritism. The distribution would be carried over the whole body of the taxpayers. The plan provides for a withholding tax on salaries and wages, and it further provides that when the taxpayer pays his 1942 tax on the basis of 1941 rates, he has to pay only that additional sum; and, if necessary, the Commissioner may give him 3 additional years in which to pay. So his income tax would be split up into six segments, under the most severe circumstances. That provision is simply an addition.

Mr. President, let me say a word further. Those members of the Senate who complain because of the fact that everyone will have to pay one-sixth or one-third in addition to his regular 1943 income tax, must remember that if that were the whole story that would be one thing, but it must not be forgotten that we shall have to raise \$16,000,000,000 in additional taxes. Where we are to get them, I do not know. If we are to get them at all, we shall have to get them by raising the rates of most corporation taxes to still higher levels, and then by doubling the rates which the masses of the ordinary taxpayers are now paying. We cannot get much more from the very high brackets, because as to them we have already reached the point of unproductiveness.

However, that will not be all, I say to the Senate. In the dire necessities of the Government's need we may have to come to a sales tax, to levying a percentage tax on every transaction made by every man and woman in the United States. We must get the money; and every dollar we give away in the form of an abatement or a remission will have to be paid back into the Treasury out of the sweat, out of the blood, out of the toil, and out of the work of the horny hands of those whose incomes fall in the middle and lower brackets. Does the Senate want to do that?

Mr. President, I have a memorandum which is somewhat in the nature of a speech. I do not want to take the time of the Senate to read it, and I do not want it to appear in the RECORD as if I read it on the floor of the Senate. Therefore, I ask unanimous consent that I may label it "Memorandum," and have it printed in the RECORD.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

There being no objection, the memorandum was ordered to be printed in the RECORD, as follows:

I am against the Ruml plan not only because I am opposed to it but also because I believe a great many people do not understand how it works and have been misled by the strong publicity campaign which the newspapers and wealthy people of this country have been carrying on at great expense during the past 6 months.

Even the most basic ideas are confused. I would have thought that by this time everyone would understand clearly the fact that the Ruml plan actually forgives a year of taxes, not just theoretically, not at some indefinite future time of death, but now, the date when this bill became law. To my surprise some of my colleagues, even on the Senate Finance Committee, have denied this fact of forgiveness. Some have called it a postponement. The 1942 tax would not be postponed; it would never be paid. Some have said that in their opinion the Ruml plan does not really result in any financial gain to the taxpayer and that if they could be convinced that it does, they would vote against it. I suppose there is not much hope of trying to convince people who still hold this opinion after months of wrangling, but at least I am going to try.

This Ruml bill wipes out the income tax on the income for 1 year. On December 31, 1940, the taxpayer was in debt to the Federal Government for income taxes on 1940 income. On December 31, 1941, he was in debt to the Federal Government for the taxes on his 1941 income. On December 31, 1942, he was in debt to the Federal Government for the taxes on his 1942 income. Under the Ruml plan the amount of that 1942 debt is simply canceled without payment. What the taxpayer pays in 1943 is counted as payment of the tax on his 1943 income. He never pays the 1942 tax, now or any other time. He has simply and clearly been forgiven 1 year's taxes. The moment that forgiveness becomes effective, his estate or net worth is increased by the amount of the 1942 tax. For example, take a man with a \$10,000 net income. That is a familiar amount to Members of this body. A married man with no dependents and \$10,000 of net income would have a 1942 tax of \$2,152. Under the Ruml plan that tax is wiped out, forgiven, canceled, remitted—call it what you please—and on the date that cancellation becomes effective, if this law is passed, the net worth of that man and every man like him is increased by \$2,152.

Some people who admit that this is true—and of course it cannot be denied—say that the increase in estate is of no value until the man dies. That is certainly a new way to look at an increase in net worth and at the cancellation of a liability. A lot of us have other kinds of debts. Wiping out a debt certainly is a benefit I would feel now. I don't have to wait until I die to feel it.

If I am a businessman or a farmer and I want to borrow money from the bank, my banker will want to know what my assets are and what my liabilities are. My tax debt to the Federal Government is one of the liabilities that my banker is interested in. If that debt is wiped out, the chance that I

am going to pay the bank is better. I shall be able to borrow more money or borrow it at a lower rate of interest. That is a real and immediate benefit.

But I don't need to borrow money from the bank to realize immediately the benefit of this decrease in my liabilities. If I have had any common sense and foresight, I have been saving money to pay my taxes. Through such saving—and most of the people who have substantial taxes to pay do save for taxes—at the end of each year I have set aside enough out of the income of that year to meet my tax debt. I was therefore even, so far as the year was concerned. Thus, a \$10,000 man who owed \$2,152 tax debt by December 31, 1942, would have \$2,152 out of his 1942 income to meet that debt. He is, likewise, at this moment accumulating savings out of his 1943 income to meet the tax debt which is being built up on account of 1943 income. If we cancel the 1942 tax liability of \$2,152 he does not need to use the amounts he has saved up in 1942 to pay his taxes. With his tax debt wiped out, the savings that he made in 1942 to meet that debt are available for other purposes. He does not need the 1942 savings to pay his taxes during 1943 because the savings he is accumulating out of 1943 income for the tax for 1943, and which he expected to use in 1944, under a current system would be paid directly in 1943 on 1943 taxes. Under any pay-as-you-go plan each year provides the income to pay the taxes of that year. A person does not need to save to meet a liability due next year, for there is no overhanging liability. If the Ruml plan passes, that money you have saved up in 1942 to pay your taxes is free for you to use in any other way you wish. You can make it a permanent part of your capital. Or you can spend it. It is money in your pocket available now to do with what you wish. That is an immediate benefit. An acquaintance of mine has been buying tax-savings notes. After the Senate Finance Committee voted to forgive a year's taxes he said he was writing his banker to stop deducting money to buy more notes. He has a year's notes that he can cash. This is a real and immediate benefit from forgiveness.

Some people do not save specifically to pay taxes but do save for other purposes. The result is the same. The taxpayer's need for savings is less by the amount of the forgiven tax. Even people who have been unwise enough not to save anything get an immediate financial benefit from forgiveness because they are freed from the danger of having a debt to meet with no income from which to meet it.

It does not matter whether your income is going up, or going down, or remains the same. The minute the Ruml plan became law, every taxpayer would be immediately benefited by an increase in his net worth of 1 year's taxes and that increase in net worth gives an immediate benefit of the same kind as any other forgiveness of debt.

Let us look at the tax payments for a minute. A pay-as-you-go plan, whether it is tied up with Ruml forgiveness or not, speeds up collection of taxes by about 1 year. The taxpayer would no longer be given the favor he has had of waiting a year to pay his income taxes. It is this speeded up collection that results in the receipts of the Government not dropping out disastrously for a year. Pay-as-you-go means that tax payments respond more quickly to increases or decreases in tax rates. As long as incomes are going up, a pay-as-you-go system will bring in more money than our present system. The minute incomes turn downward—and I think all of us believe they will turn downward after this war—the tax collections will turn downward 1 year sooner than under present law. Then is when the Government will particularly feel the loss in actual receipts from forgiving a year's taxes.

How are Government receipts kept up when people retire or die? If they are, it will be due to new taxpayers who did not get the benefit of the forgiveness. New taxpayers who have taxable incomes for the first time in 1943 or thereafter would have to pay currently but would not have had a year's tax dropped out. They are the ones who will make up for the loss in revenue which comes from the older taxpayers' declining incomes, or loss in incomes, to the extent that it is made up without raising rates.

The proponents of the Ruml plan talk as if no one was going to die, or retire, or lose his income for a lifetime. People are dying every day. The Rumlites saw they could not support a forgiveness plan where the taxpayer died in 1942 so they deny the forgiveness in that case. They say they could not support it where he died in 1943, so they put in a special windfall provision to reduce or wipe out the forgiveness. But, if he dies in 1944, the final and full effect of forgiveness as well as the immediate benefit is felt. There will be many people dying in 1944 and in the early years thereafter. Moreover, there are many people who will retire in 1944, or 1945, or 1946, and who will then derive all the final benefits of the year's forgiveness. Like everybody else, they would get the increase in net worth at once in 1943. But they would also get quickly the benefits of not having the final year's tax to pay. The elderly taxpayer gets the maximum benefit out of this plan sooner instead of later. Moreover, the more elderly taxpayers are likely to be the ones with the large incomes.

The advocates of tax cancellation have made a big point about getting back some of this forgiveness in the estate tax. Of course, the minute they talk about getting it back and the minute they talk about windfall provisions, that minute they are admitting the benefits I have been talking about. But let us pass over that inconsistency. They talk as if the estate tax would recover the loss in income tax. This is obviously not the case. Under no circumstances could the estate-tax return to the Federal Government exceed 77 percent, since that is the maximum estate-tax rate and it applies only above \$10,000,000.

By far the largest part of the estates will, of course, not fall in these very high brackets. Only about 1 percent of the people dying in the United States have estates large enough to be subject to any Federal estate tax whatever. Moreover, the law affords ample opportunity for giving away property without tax or at much lower tax rates. The gift loophole would greatly cut down the return through the estate tax. There is also no assurance that the funds represented by this forgiveness will remain in the estate. Being a windfall, they are available for expenditure. They can support a trip to California, or a summer home in the mountains. Or the forgiven tax may be invested and lost in business. Any one of a dozen things may happen to keep the return to the Government from being substantial. There will be some return, no doubt, but the total amount of it can hardly be more than minor.

So much for the question of whether there really is forgiveness and really is a benefit.

This Ruml plan is bad chiefly because of the way in which the forgiveness is distributed. There are all sorts of ideas of what is fair and what is just. I am not going to try to impose my ideas of what is fair on my colleagues. But I want to give you a few facts and see if you do not agree that a tax bill which distributes its forgiveness the way this one does is grossly inequitable, according to your standards of fairness.

At the top are the 60 or so people who have incomes of a million dollars or more. The effect of this Ruml plan of forgiveness is to remit for each of these people as much as they could possibly save in 6 years if they saved every cent of what they would have left after taxes. Now, I think Congress did

what it thought was equitable when it put the existing tax rates on the higher incomes. I think Congress wanted to have that tax burden imposed. The effect of this forgiveness is to undo our progressive tax schedules to the tune of handing our most fortunate citizens—60 in number—as much as they would have left over 6 years under our tax laws.

The same thing is true to a lesser extent for other high incomes. The person with a \$100,000 income would be forgiven the equivalent of 20 months' income after taxes. But a person with an income of \$2,000 would get the equivalent of less than 1 month's income after taxes.

It needs to be pointed out that under this bill 60 people with net incomes of \$1,000,000 and over will receive as much forgiveness under the plan as 2,800,000 people with net incomes of less than \$1,000; as much as 750,000 people with net incomes of \$1,000 to \$2,000; and as much as 550,000 people with net incomes of \$2,000 to \$3,000; and the forgiveness for the 60 millionaires will represent a far larger proportional increase in the income remaining after taxes. The forgiveness will average 226 months of income after taxes for the 60 people with the largest incomes as compared to an average of slightly over a half month for the large number having small incomes of less than \$1,000, slightly over a month's income for those with incomes of from \$1,000 to \$2,000, and a little less than a month's income for people with net incomes of \$2,000 to \$3,000.

I do not want to cast aspersions on the supporters of the Ruml plan, but in the light of the disproportionately large benefits to the high-income groups, is it any wonder that the issues of the Ruml plan have been consistently and persistently misstated in the newspapers and that the facts of the kind I am telling you have scarcely appeared at all? Is it any wonder that the editorials of our most prosperous newspapers have fanatically favored the Ruml plan? Is it any wonder that the financial leaders of the Nation have thrown their prestige behind the Ruml plan? The unfortunate fact is that the great masses of the people who will get little out of this and who, as I shall point out in a few minutes, will lose what little they do get—the unfortunate fact is that these people have not been informed by the newspapers and by the radio of what the truth is about the Ruml plan. The people are all mixed up. I am willing to prophesy that if this plan becomes law the politicians who run for our seats and try to take our places here will be better able to persuade them than the Treasury Department has.

Here are some more facts that you do not read about in the newspapers. In the last 3 years, 1940, 1941, and 1942, we have been imposing new taxes to pay for the defense effort and the war. Now it is proposed that we turn around and forgive taxes for the year 1942. A person who has steadily had an income of \$5,000 has had imposed on him new additional taxes for the war, totaling \$991 up through December 31, 1942. An amount equal to three-fourths of that \$991 is forgiven under the Ruml plan. The person with the \$100,000 income will have had the whole increase forgiven under the Ruml plan. So far as the increased war taxes are concerned, the slate will be clean for him as of January 1, 1943. Finally, the man who has been getting \$1,000,000 year after year will not only have been forgiven all tax increases up to January 1, 1943, but at present tax rates for 3 years more. He will actually be better off as of January 1, 1943, by nearly \$600,000, than if there had been no revenue act of 1940, 1941, and 1942, and no Ruml plan.

It is very unfortunate that this tax forgiveness proposal comes before the Senate as a separate issue. It should come here as part of the revenue bill. The President of the United States has asked for an additional

\$16,000,000,000. That is a conservative request in the light of the huge expenditures we are making and the terrific pressure of consumer purchasing power which threatens daily to break price ceilings and has made necessary extensive rationing and has given rise to black markets. Many people go along complacently as if our financing of the war was adequate. It is far from being adequate, either to raise the money the Government must have or to prevent inflation and other disastrous consequences during and after the war. And yet the bill before us does not raise \$16,000,000,000. It does not raise any money, although it may result in a small immediate increase in receipts due to speeding up tax collections and to the so-called windfall provisions. It is not a revenue bill—it is a forgiveness bill. At a time when we should be raising \$16,000,000,000 of additional revenue we are giving away nearly \$9,000,000,000 of liabilities already owed to the Government. Now, you may be able to pick flaws with the idea that this \$9,000,000,000 is a cashable asset of the Government. Be that as it may, the people know that forgiveness means a lightening of their burdens, as I have already shown you. It is certainly peculiar war psychology to tell the people of the United States that we can forgive the collection of \$9,000,000,000 of tax liabilities in the middle of a war, when the need for revenue is as tremendous as it is. How can we expect in another month, or 2, or 3, or 4, to pass a bill increasing taxes as they should be increased—and as they must be increased if you and I and everyone else in the country is not to suffer, when we have told the American public that this is the time to decrease their taxes?

The matter is worse than that. Where are we going to get the \$16,000,000,000? Obviously, we are not going to get it from the upper income brackets. We set an upper limit of 90 percent last year so that the full impact of the victory tax would not be felt by the top incomes. We are going to get the increased revenue out of the little fellow and out of the middle incomes. It does not matter how we do it. If we get it by a sales tax we get it out of the lowest incomes rather than out of the middle and higher ones. If we do it from an income tax, we protect the very lowest groups but get it out of some forty or forty-five million of our taxpayers, most of them with small and middle incomes. When we are through forgiving \$9,000,000,000 and imposing \$16,000,000,000 of additional taxes, those small and middle income groups will have nothing to show from this legislation. They will financially be far behind what they are now.

But the higher income groups are going to have a great deal to show from this year's legislation. The man with a million-dollar income is going to have 6 years of income after taxes to show for this year's legislation. There is no way by which we can take that from him and there is no way by which we can offset the gift by increasing the rates on his future income. He has a final net gain.

The small and middle incomes will get this forgiveness, to be sure, but it will not represent a net gain to them because we will have to impose on them much more than they gain. We shall simply have to if we are to get anything like \$16,000,000,000. They would be very much better off if we were not to allow this forgiveness and to speed up collection of existing taxes instead of imposing as much new taxes. Taxpayers already owe the taxes on 1942 incomes. They received the income. By and large they saved money in 1942. The rate of saving in this country was higher in 1942 than it ever has been before. There would be little hardship in paying the 1942 tax over a period of 2 or 3 years while putting current taxes on a pay-as-you-go basis. It would be equitable and would merely be collecting what the taxpayers of this country

now owe their Government. It would be simply removing the privilege of postponing payment by 1 year.

But what does this bill do? Does this bill get a substantial portion of the money we need by collecting the debts of people to the Government? It does not. It forgives all the taxpayers of the country 1 year's tax. It will be followed by a revenue measure which will in effect reimpose on the lower incomes and middle incomes the taxes which might have been gotten by collecting that debt. The upper income groups will have received benefits which cannot be taken away from them and which will permit them to retire and live in luxury the rest of their lives, without another stroke of work.

These are some of the things this bill does. Those are some of the reasons why I believe that the members of the Senate Finance Committee and the Members of this Body must not have been fully informed on the way the bill operates and on the effects it will have on the distribution of our tax burdens. It is not too late to kill this obnoxious plan and substitute some more rational measure in its place.

Mr. CLARK of Missouri. Mr. President, I rise at this time, not for the purpose of discussing the merits of the proposition for confiscation and double taxation, offered by the Senator from Texas, but simply to discuss a point of order. I do so at this time, because I preferred not to interrupt the Senator from Texas by rising to a point of order at the time when he called the representative of the Treasury Department to his side a moment ago. I had previously advised the Senator from Texas of my intention to advert to the rule of the Senate in this matter.

Mr. President, rule No. XXXIII of the Senate relates to the question of the privilege of the floor. I shall take the trouble to read the rule in full, Mr. President, in order to elaborate the point which I am about to make.

Rule XXXIII of the standing rules of the Senate is as follows:

RULE XXXIII. PRIVILEGE OF THE FLOOR

No person shall be admitted to the floor of the Senate while in session, except as follows:

The President of the United States and his private secretary.

The President elect and Vice President elect of the United States.

Ex-Presidents and ex-Vice Presidents of the United States.

Judges of the Supreme Court.

Ex-Senators and Senators elect.

The officers and employees of the Senate in the discharge of their official duties.

Ex-Secretaries and ex-sergeants at arms of the Senate.

Members of the House of Representatives and Members elect.

Ex-Speakers of the House of Representatives.

Mr. President, under the rule, not even an ex-Member of the House of Representatives is entitled to the privilege of the floor of this body, under the standing rule of the Senate. An exception is made in the case of those who have held the high honor of presiding over the House of Representatives.

The Sergeant at Arms of the House and his chief deputy and the Clerk of the House and his deputy.

Heads of the executive departments.

That is, Cabinet officers of the United States.

Ambassadors and Ministers of the United States.

Governors of States and Territories.

The General Commanding the Army.

The Senior Admiral of the Navy on the active list.

Not every admiral, not every general, but the General Commanding the Army and the Senior Admiral of the Navy on the active list.

Members of national legislatures of foreign countries.

Judges of the Court of Claims.

Commissioners of the District of Columbia.

The Librarian of Congress and the Assistant Librarian in charge of the Law Library.

The Architect of the Capitol.

He, of course, is an official of the Senate and the House.

The Secretary of the Smithsonian Institution.

Clerks to Senate committees and clerks to Senators when in the actual discharge of their official duties.

Clerks to Senators, to be admitted to the floor, must be regularly appointed and borne upon the rolls of the Secretary of the Senate as such.

Mr. President, under the explicit terms of the rule, those are the only persons who are entitled to be admitted to the floor of the Senate while the Senate is in session, and yet—and this does not apply only to the present debate—over a long period of time we have seen representatives of the various departments come into the Senate Chamber and sit around like crows on a limb, trying to influence the action of the Senate in passing on legislation.

Mr. HILL. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. CHANDLER in the chair). Does the Senator from Missouri yield to the Senator from Alabama?

Mr. CLARK of Missouri. I yield.

Mr. HILL. Of course, the Senator has stated the rule exactly as it is written.

Mr. CLARK of Missouri. I have read the rule.

Mr. HILL. Since the Senator has made the statement which he has made about the departments, does he not think it is fair to say that although bringing representatives of the departments to the floor of the Senate has not been in accordance with the rule, as the Senator says, it has been the practice to do so?

Mr. CLARK of Missouri. I am protesting against the practice. I am not only protesting against the practice, but I am particularly protesting against such an instance as this, in which representatives of the Treasury Department have come into the Senate Chamber for the purpose of opposing a measure approved and recommended to the Senate by an overwhelming majority of one of its great standing committees.

It is a matter of common knowledge that representatives of the Treasury Department have been on the floor of the Senate actively lobbying in opposition to the report submitted by the Finance Committee of the Senate. When the Senate adjourned yesterday there were a sufficient number of those representatives around the desk of the Senator

from Louisiana, waving their arms, to have constituted a town meeting.

Mr. HILL. Is it not fair to say that the representatives who have come here from the Treasury Department and from other departments have come at the invitation or suggestion of some Member of the Senate?

Mr. CLARK of Missouri. Mr. President, I do not think there is the slightest doubt of it. I am not making these remarks for the purpose of criticizing the young men who come here from the Treasury Department. I am simply giving notice that I think the rule ought to be enforced or repealed. I think the practice has been a growing evil. I have seen examples of it on several previous occasions. I remember when Mr. Thomas Corcoran and Mr. Ben Cohen came here and took their places on the floor of the Senate alongside the Senator from Montana [Mr. WHEELER] advising him and whispering in his ear in connection with most important legislation. I have seen Army officers in uniform come here and sit beside a Senator. I think the practice is in violation of the rule, and ought to be stopped.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. CLARK of Missouri. I yield.

Mr. WHEELER. For the purpose of the RECORD, let me say that Mr. Corcoran never came on the floor of the Senate.

Mr. CLARK of Missouri. As a matter of fact, I think Tommy sat on the lounge outside the door, and Ben sat next to the Senator.

Mr. WHEELER. Ben Cohen came here when the public utility holding company bill was before us, and he came at my request. Mr. Corcoran never came into the Chamber.

Mr. CLARK of Missouri. He sat on the couch which I can see through the door. The Senator is probably correct.

Mr. WHEELER. The Senator probably saw him. I asked him to come here. The question was never raised, and he rendered valuable service when the bill was before the Senate.

Mr. CLARK of Missouri. As I say, I did not raise the point of order when the Senator from Texas [Mr. CONNALLY] turned around and called this young man to his side. I do not wish to make a personal issue of it, because I do not think it is the fault of the young man who came here. Treasury representatives have been in the habit of coming here and sitting around, giving advice. They are encouraged to do so by the attitude of the Secretary of the Treasury, who gives advice to Congress through the newspapers almost daily, and by the attitude of Mr. Randolph Paul, general counsel of the Treasury Department, who tells on the radio what Congress ought to do, and what Congress must do. However, I call attention to the rule, with the suggestion that I think a great deal more attention should be paid to it in the future than has been paid to it in the past, or else the rule should be repealed.

Mr. HILL. Mr. President, will the Senator yield?

Mr. CLARK of Missouri. I yield.

Mr. HILL. Of course, the Senator is well within his rights in calling attention to the rule. He has read the rule. Under the rule, gentlemen, who come not only from the Treasury Department but other departments, are not entitled to be admitted to the floor of the Senate. However, I do not think the Senator ought to give the impression to the Senate or to the country that these gentlemen have shoved themselves in here, so to speak, as lobbyists, on their own initiative. They have come here, whether they have come from the Treasury Department or from some other department, at the invitation and request of some Member of the Senate. Of course, the purpose of having them here, as the Senator from Montana [Mr. WHEELER] has said, and as has been my experience on one or two occasions, is that the Senator in charge of a bill or some particular amendment may have the information which the representative of the department can give him, so that the Senator may transmit such information to the Senate.

The Senator is entirely within his rights in calling attention to this practice, but he ought not to give the impression that representatives of the departments have crowded into the Senate like lobbyists. They have come here at the request of Members of the Senate.

Mr. CLARK of Missouri. Mr. President, I still have the floor.

I have already said that I recognize this practice as a growing evil. That is the reason I am calling attention to it today. I do not know who invited these gentlemen to come here. I do know that the practice has been an increasingly prevalent evil in the Senate. Almost anyone connected with any executive department has felt that he had the right to be admitted to the floor of the Senate. As a matter of fact, they pull at the coattails of Senators and give them advice. At the conclusion of the debate in the Senate yesterday I noted the occurrence to which I have referred, in the nature of a town meeting. I am now calling attention to the letter of the rule, with the suggestion that I think it should be enforced. I do not criticize the representatives of the Treasury Department particularly, because I have seen on the floor of the Senate representatives of almost every other department and commission. I have always thought that it was an evil to violate the rule of the Senate in that way, and I am now calling attention to the specific provisions of the rule.

Mr. CONNALLY. Mr. President, of course the Senator from Missouri is quite familiar with all the rules. However, the Senator knows that there is statutory law and there is common law. Common law grows up as a matter of custom, and statutory law supersedes the common law.

For years it has been the practice, at the request of Senators, to have representatives from the departments who are familiar with all the facts sit by them and respond to requests for information. As I stated to the Senate, the young man from the Treasury Department came here at my invitation, so that instead of my stopping in the middle of a speech

and running through a pamphlet containing 10 or 15 pages, I could call on him, and in a moment, while I was talking about something else, he could have the information ready for us. If the Senator from Missouri is going to insist upon a strict construction of the rule, the legislative counsel who sits by the Senator from Georgia cannot remain in the Chamber.

Mr. CLARK of Missouri. If the Senator will permit me, I think that the head of the joint congressional committee staff is clearly entitled to be admitted to the floor of the Senate.

Mr. CONNALLY. Where does the rule say that he is entitled to be admitted to the floor of the Senate?

Mr. WHEELER. It is not in the rule.

Mr. CONNALLY. There is nothing in the rule which would entitle him to that privilege.

Mr. CLARK of Missouri. I disagree with the Senator. I think that the provision entitling clerks to Senate committees and clerks to Senators to be admitted to the floor of the Senate would apply to members of the staff of a joint legislative committee.

Mr. CONNALLY. Let us see if it does.

Clerks to Senate committees and clerks to Senators when in the actual discharge of their official duties. Clerks to Senators, to be admitted to the floor, must be regularly appointed and borne upon the rolls of the Secretary of the Senate as such.

That is, as clerks to Senators. The joint committee is not a Senate committee. It is a joint committee between the House and Senate.

I do not wish to exclude those gentlemen. I wish to have them here. I do not wish to shut the windows of my soul to information. I obtain a great deal of information from Senators, but there is some information which Senators do not have. I have found on several occasions that I can thus obtain information which is not in the possession of any Senator. So I think it is very helpful. I think it expedites the work of the Senate. If the rule is to be invoked harshly and rigidly, I should favor a modification or an amendment of it, because I believe the Senate needs information at times, and I am willing to receive information, but I want it to come from a reliable source. From my contacts with them I have never found among the representatives of the Treasury Department or other departments who have been sent here to aid Senators anyone who did not answer honestly and intelligently concerning the matters under inquiry. I never had one to press his views on me. I did not invite him here for that purpose. We may have our own views, but we certainly can obtain from these men factual information, as well as information concerning practices of the departments and their reactions to the laws which Congress has passed. So, Mr. President, I hope the Senator from Missouri will exercise the able and gracious tolerance for which he is famed, and not insist on a rigid and strict enforcement of the rule.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. LA FOLLETTE. Mr. President, I wish to say a word about the matter which has been brought up by the Senator from Missouri.

It is obvious from a reading of the rule that a strict enforcement of it would exclude any person not mentioned directly in the rule and described therein, from having the privilege of the floor of the Senate. But, Mr. President, it is a matter of common knowledge that legislation, and the problems with which the House and the Senate have to deal, have become so complex, and the duties, obligations, and problems confronting Senators have become so diverse, that it is impossible for any one Senator, no matter how hard he may work, to become an expert on complex questions such as those involving tax legislation.

I am proud of my membership on the Finance Committee. I think I can say, without making any comparison with any other committee, that the membership of the Finance Committee other than myself, is certainly representative of the ability which is lodged in this Chamber. Mr. President, I venture the assertion that if that committee had nothing else to do it could not frame and bring to the floor of the Senate a tax bill under conditions which confront us when we come to a revision of the tax laws, or the necessity of increasing revenue.

To my certain knowledge, Mr. President, ever since the Revenue Act of 1917 representatives of the Treasury Department have been upon the floor of the Senate, not to lobby, but to furnish information to Senators. I grant that they have been here in violation of a strict enforcement of the rule, but I also make the assertion that the Senate could not have legislated, it could not have discharged its responsibility in connection with these important measures without the assistance of experts here to give information impartially to any Senator who desired to ask for it—not argument, but information, I emphasize.

We have also had present with us since 1924, I believe, if my recollection serves me correctly, representatives of the staff of the Joint Committee on Internal Revenue Taxation in connection with each revenue bill. I do not think they are privileged to the floor under the strict interpretation of the rule. Yet, I say that it would be a great mistake, and the work of the Senate upon revenue legislation would be greatly impaired, if the members of the staff of the joint committee could not be here likewise to furnish impartial information to Senators who disagree—sometimes very definitely and sharply—upon questions of policy in connection with revenue legislation.

It has been my experience, Mr. President, that both the experts of the Treasury Department and the experts of the joint committee have, insofar as humanly possible, endeavored to furnish impartially, and without bias, information to Senators who have disagreed violently upon principles as well as the application of principles to questions of taxation.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. CONNALLY. The Senator is a member of the Finance Committee. Does he think the committee itself, the members of which are supposed to be well informed upon the subject, could get anywhere without the constant attendance of these experts before the committee? Does that not hold true also here in the Senate?

Mr. LA FOLLETTE. Mr. President, I made the statement that I do not believe the committee could discharge its responsibilities without the assistance of experts both from the joint committee and from the Treasury. I think it follows that the Senate could not discharge its responsibility as well as it does discharge it if it did not have the privilege of allowing these experts to be present here upon the floor of the Senate.

I would join with the Senator from Missouri in saying that we ought to modify the rule and make it definite and specific. But, unfortunately, Mr. President, or fortunately—I have never been able to decide which—the Senate does not enforce its rules. The Senate has operated usually on the principle of unanimous consent and practice. It is only when some advantage from a parliamentary standpoint can be obtained that the rules of the Senate are invoked.

That leads me to say that once a very able man came to the Senate of the United States. He had never had any experience in legislative bodies, but he had made a mark for himself in the world outside affairs of government. At various times during the first few months of his work in the Senate I saw him reading the Senate Manual, marking paragraphs of the rules. Occasionally he would raise his eyes from his book and a look of mystery and amazement would come over his face as I assumed he was attempting to apply the rule to the procedure which was taking place before his eyes.

I ventured to say to him that I thought that unless he intended to become involved in a filibuster, or unless he hoped at some time to take a parliamentary advantage as a result of knowledge of the rules, he certainly could learn nothing as to the daily activity and action of the Senate by a study of its rules, no matter how long he devoted himself to that purpose.

Mr. President, I hope at some time the Rules Committee will undertake a revision and modernization of the rules of the Senate, but it seems to me it would be unfortunate to invoke the rule now. I wish to join with the Senator from Texas in urging the Senator from Missouri not to invoke the rule in the midst of consideration of what is obviously a very complex and difficult tax bill or tax problem.

Mr. McFARLAND and Mr. CLARK of Missouri addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Wisconsin yield; and if so, to whom?

Mr. LA FOLLETTE. I shall yield in a moment. I wish to say one further word.

I have observed the experts present upon the floor of the Senate, and I wish to say that there are only two experts from the Treasury Department whom I have recognized as being on the floor of the Senate during the time the pending bill has been under consideration. That is a lesser number than has usually been present. The other experts here are from the joint committee staff or from the legislative counsel's office of the House of Representatives and of the Senate.

I now yield to the Senator from Arizona.

Mr. McFARLAND. I should like to ask the Senator from Wisconsin if he does not agree that this discussion shows the need for experts being employed by the Senate so that the Senate may rely on them and not be required to call in experts from the various departments.

Mr. LA FOLLETTE. Mr. President, we have available to us the experts of the joint committee. I certainly would join with the Senator in saying that I believe we need more expert service in the Senate. But unless the Senate and the House of Representatives are willing to appropriate a great deal more money for expert services than they have been willing to appropriate in the past, there will be a continuing need on the part of the Senate, when confronted with legislation such as tax legislation or complex legislation of other character, to call upon experts from various departments of the Government. I certainly hope that we will not place ourselves in such a position that we cannot obtain the information which is necessary to an intelligent consideration of the problems which confront us.

Mr. GEORGE. Mr. President, I do not understand that a motion has been submitted by the distinguished Senator from Missouri but that he has simply called attention to the rules. I hope very much that we may proceed with the bill. I regret the circumstances which have provoked this discussion, because I think the officials of the Treasury Department have usually come here at our insistence and request to aid and assist us, and I know that I have always found their assistance to be invaluable.

Mr. President, there is a point I should like to bring to the attention of the Senator from Texas. Since the proposal which I have made is not in the form of a substitute for the entire bill but is in the nature of a perfecting amendment to a particular section of the bill, the question has arisen in my mind—and my view has been confirmed by the statement of the Parliamentarian—that the vote upon that amendment should come before the vote upon the complete substitute, because, if the complete substitute should be adopted, I would have no opportunity to present my amendment. I did not think that was the situation, when the Senator from Texas presented his amendment, because he very kindly said he would be glad to have my amend-

ment presented first, but I think that is the situation at this time.

Mr. CONNALLY. I have assured the Senator from Georgia all along that I did not want to embarrass the status of his amendment in any way. I also propounded an inquiry or two with reference to the matter.

Mr. GEORGE. The amendment of the Senator from Texas would be in order after action on my amendment.

Mr. CONNALLY. It would then be in order.

Mr. GEORGE. That is quite true.

Mr. CONNALLY. As I understand the ruling of the Chair, the amendment of the Senator from Georgia, if it does not go to the whole bill and is not a complete substitute, could be considered as being in the nature of a perfecting amendment, which would take precedence over my amendment.

The PRESIDING OFFICER. The Chair is of opinion that the Senator from Texas is correct. The amendment proposed by the Senator from Georgia being in the nature of a perfecting amendment would take precedence.

Mr. CONNALLY. With that understanding, I have no objection. I desire to go along with the Senator from Georgia.

Mr. GEORGE. Mr. President, I thank the Senator from Texas very much. This question, I think, has been pretty thoroughly debated, and I do not care to elaborate on it, but I should like to bring to the attention of the Senate a few facts which, as I view them, may dissipate some confusion.

I think there can be little criticism made of the Canadian system and of the method by which they assess and collect their individual income taxes. I should like to read from the budget statement of the Minister of Finance of Canada under date of March 2, 1943, and I invite Senators who do not think there is any reason to change to a pay-as-you-earn basis to notice the common sense of the statement of the Canadian Minister of Finance.

The first and most important measure I shall propose—

Said the Minister—

is the placing of our personal income tax on a pay-as-we-earn basis. In this way we will complete the transformation in our income tax begun with the enactment of the national-defense tax in 1941, and carried last year to an advanced stage both in collecting a graduated tax at the source and in collecting as early as possible after the income is received on which the tax is assessed.

That is precisely our problem.

I am proposing—

Said the Minister—

that beginning this year, 1943, the income tax currently collected at the source or paid in quarterly installments shall apply in respect of the tax to be assessed on the income of this current year, 1943. If Parliament sees fit to put this proposal into effect, we shall then be on a fully current income-tax basis. No one, speaking generally, will then be liable for large amounts of income tax on income he has earned in the past, except to the extent that adjustments in tentative tax deductions or payments must be made after the year's income is finally determined with accuracy.

Listen, I beg of my colleagues—

The advantages of a system of current payment of tax such as I propose are now well known, so I need only remind you of them. Under this plan, when a man's income falls off, his tax falls off with it; when his income rises, his tax rises with it. It enables us to avoid the lag in the payment of tax under our present system—a lag which now amounts to about 8 months—

In our case 15 months, because we are not on a partially current basis; Canada was on a current basis at the time, or prior to 1943—

substantially less than it was several years ago, but still a problem to those suffering or expecting to suffer a reduction in income.

Need I remind the Senate and the country that the hour is inevitable when every taxpayer, must of necessity and without exception, witness the complete cessation of income, all of us, because all of us must eventually die.

The difficulties in the present system are most serious in the case of those whose incomes cease or decline severely because they enter the armed forces, lose their jobs, retire or die. Advocates of such a plan have made most people very much aware of the personal problems created in such situations by income tax debts. With taxes at present levels, such problems are now very difficult ones for any who have not made provision in advance for their taxes.

Our friends say that we ought all to make provision in advance for our taxes, but the answer is we do not do it; the answer is that humanity is not perfect, that it is weak, and there is no need to talk about what we should do either as a moral obligation or as a matter of convenience. We simply do not do it. Forty-four million taxpayers in this country will not do it. There need be no mistake about that. Reading further from the statement of the Canadian Minister of Finance:

For example, a young married man who has earned \$40 a week during 1942 who wished to join the Air Force at the beginning of this year had to face the necessity of paying income tax of \$282, on his civilian income of last year and out of his much lower service pay this year. Again, if a professional man earning, say, \$5,000 a year, should die and leave behind a wife and two children, they would be liable for perhaps \$831 of income taxes, whether or not there was any estate. The wage earner who loses his job would in many cases have anything up to several hundred dollars of income taxes to pay during the succeeding 6 months or year—taxes on income he had probably spent while he was earning it.

It is taxes on income which he most certainly would have spent in 90 cases out of every hundred.

Anyone who looks forward to early retirement on a pension considerably lower than his current earnings faces an almost insuperable barrier. We do not wish such persons either to exhaust what savings they have set aside or to be forced to break the law.

Mr. President, that is a pretty sound philosophy of government, we have to learn all over again in these United States, that before our citizens can furnish the money to the Government, they have to be permitted to earn it.

We hear a great deal about the pending proposal being a scheme to take care

of the rich. Tax rates in Canada are very similar to ours, and let us take the case of an ordinary young man in any profession, say a lawyer, a teacher, a doctor, a dentist, one who earns five or six thousand dollars a year, and has a wife and two children. At any time when he dies he will owe nearly a thousand dollars in taxes, and perhaps the only thing on earth he leaves in his estate is a little four- or five-room house, and that house would have to be sold, or the widow would have to beg for extension at the Treasury, and at the tax collector's office, with this tax liability hanging over her head, and nothing with which to pay it, the income earner gone, and practically no estate at all.

The Minister of Finance said further:

There are other substantial advantages of a pay-as-we-earn plan. It enables us to make more effective use of collection at the source from earnings and to avoid many refunds and adjustments that would otherwise be necessary. Secondly, it will make it possible in the future to adjust our income-tax rates and collections more promptly when changes in economic or other circumstances make such adjustments desirable. In this way it will make the income tax a better instrument of fiscal policy in helping to maintain full employment.

It is to overcome the various types of difficulty which I have described, and to obtain the other advantages of having our taxes on a sound current basis that the Government is proposing now to complete the transformation of our income-tax system to a full pay-as-we-earn plan.

In the case of Canada, it is necessary to forgive only 50 percent of the tax on all earned income, carrying over the tax on unearned income until the date of the death of the decedent, with certain privileges of redemption by him.

Now I wish to read a few concluding words from this sober, thoughtful, tax executive, commenting on conditions in a country undergoing almost the same experiences we are undergoing, paralleling almost our own experiences here, a country at war, with rising incomes, with advancing wages. He says:

In order to make the change to a complete pay-as-we-earn system of taxation on the income of 1943 and subsequent years, it is necessary to make some adjustments of the tax on 1942 incomes.

He is right; there is no other way of doing it, because it is not possible to double up sufficiently to do it, without destroying the taxpayers.

I continue reading from the Minister of Finance:

If this is not done, we should have to pay a large part of the 1942 tax as well as the 1943 tax during the year 1943. If tax rates were substantially lower than they are, this overlapping would not be serious. With rates at their present high levels, we must avoid piling the unpaid portion of the 1942 tax liability on top of the current collections for 1943. This is the difficult problem of the transition to the pay-as-we-earn system. Nearly everyone has recognized the virtues of being on the pay-as-we-earn system.

Mr. JOHNSON of Colorado. Mr. President—

The PRESIDING OFFICER (Mr. GILLETTE in the chair). Does the Senator

from Georgia yield to the Senator from Colorado?

Mr. GEORGE. I yield.

Mr. JOHNSON of Colorado. Is the amendment offered by the Senator from Georgia to be considered before the one offered by the Senator from Texas?

Mr. GEORGE. Yes; because mine is in the nature of a perfecting amendment, and has to be voted on first. The Senator from Texas has very kindly offered to permit that course to be followed.

Mr. JOHNSON of Colorado. I do not know whether the junior Senator from Texas [Mr. O'DANIEL] is in the Chamber, but he has an amendment which I had hoped would be brought up ahead of the amendment of the Senator from Georgia. His amendment proposes to assess a withholding tax, and apply it to the 1942 liability currently.

Mr. GEORGE. I shall be very glad to do what I can to get a vote; I am trying to bring the debate to an end, and obtain a final determination.

I have spoken of the necessity of getting on a pay-as-you-earn basis. Regarding the wisdom and the necessity of that at this time, I do not see how reasonable minds can differ. It will cost something to do it, because we are not able to collect 2 years' taxes in 1 year.

The distinguished Senator from Louisiana [Mr. ELLENDER], on whose amendment we voted this morning, proposed to spread the 1942 tax over 5 years. On incomes of \$250,000 and up there would have been exacted of the taxpayer many thousands of dollars more than his total earnings. With a provision for a 5-year period, when one has accounted for his living expenses, for his doctor's bills, and made all the other deductions, the Senator's amendment would have meant plain bankruptcy of every man in the United States earning \$250,000, who paid taxes on it in 1942.

Under the amendment I am offering there would be a slight doubling up, and there would be, for the period of 2 years, an increase above the actual income of the taxpayer whose income reached \$500,000 or more. It is perfectly clear that the income taxpayer whose income is above \$500,000 can pay slightly more for 2 years for a privilege which is of inestimable benefit to him and to his estate, and which will enable his government to go on a pay-as-you-earn basis.

When one considers the high rates of our present income taxes, and when one considers that the taxpayer is always behind one full year, and contemplates the end of that taxpayer's life, or the end of his career as an earner, and adds the two taxes which may be exacted, or only one tax, if you please, if there be no taxable estate under the estate tax law, incomes will have to be very large before the widow and children of the deceased taxpayer can be assured of the retention of even small property holdings.

Mr. President, I have offered to do no more than the House did in its bill so far as the matter of revenue is concerned. Under the bill passed by the House the aggregate individual income tax is reduced by some 76 or nearly 77 percent—at least 76 percent—but that reduction is not uniform. It is a 100 percent re-

duction in the low brackets and it ranges to 19 percent deduction in the higher brackets.

I am not unmindful of the fact that the argument is made that that is the way it should be, but I do not see how reasonable men can take that position. If we are to have a progressive income-tax system, if we are to have it properly graduated—and while it is not perfect, it is graduated from the ground up to 88 percent, not considering the Victory tax of 5 percent on gross—if we have done a half-way job in graduating the tax on income and it rises, then the only fair and logical and consistent thing to do is to give to every taxpayer the same percentage reduction when there is to be a reduction made in the tax.

Mr. President, in 1924 we reduced taxes in this country effective as beginning in the calendar year 1923, by a flat 25 percent in everybody's tax. At one time, there was a proposal before the Ways and Means Committee to apply the same principle in the form of a flat 50 percent reduction of each individual's income tax. This is a true principle which, in my opinion we ought to apply in canceling or abating any part of the 1942 tax liability.

The bill as passed by the House, while it cancels about 76 percent of the 1942 liability, does not give equal treatment to all taxpayers. Some taxpayers have only 20 percent of their tax liability canceled while others have 100 percent canceled. In terms of cancellation under the bill passed by the House the cancellation ranges, as I have said, from 100 to 19 percent.

Mr. President, I invite Senators who are present to look at the committee bill and see what the amendment which I have proposed will accomplish so far as producing revenue is concerned. The amendment I have proposed would bring in a substantial amount of additional revenue to the Treasury and at the same time would make it possible for a taxpayer to go on a pay-as-you-earn basis. As has been pointed out, the committee bill technically cancels the entire 1942 liability, but in effect draws back or recoups \$1,300,000,000, or 13 percent of that liability, through the two windfall provisions. The first windfall provision is estimated to bring in \$900,000,000, the second \$400,000,000.

The amendment I have proposed also technically cancels the 1942 liability, but in effect would recoup \$3,129,000,000, or practically one-third of that liability. Of this total recoupment, \$2,229,000,000 would represent 25 percent of the lower year, either 1942 or 1943 liability of all taxpayers, and \$900,000,000 would represent the gain under the first windfall provision, whose effects would not be materially altered under or by my amendment.

By way of comparison, it has been estimated that \$2,213,000,000, or about 23 percent of the 1942 liability, would remain uncanceled under the bill passed by the House. It will be noted that my amendment in effect would bring into the Treasury \$1,829,000,000 more of the 1942 liability than would the Finance Committee bill as it stands, and \$916,000,000 more than would the bill as passed

by the House. Moreover these increases would be reflected in Treasury receipts almost immediately, that is in the fiscal years 1944 and 1945.

Mr. President, that is all I care to say upon this amendment, except to repeat that after the most careful thought and most careful consideration, I am convinced that the taxpayers can pay 25 percent straight through in all the brackets of the 1942 liability, and that being true, I do not think that we should abate it. Therefore, as much as I desire to go on a pay-as-you-earn basis, I believe we should recognize these facts and refuse to abate anything more than we are compelled to abate.

Mr. President, I do not care to discuss the substitute amendment which the Senator from Texas [Mr. CONNALLY] has already presented to the Senate, and which he very kindly placed aside in order to give me a parliamentary status for the vote, except to say that under the amendment which I have offered, if the bill goes to conference, and it is the judgment of the conferees on the part of the House and the Senate, and of the two Houses subsequently, to accomplish substantially all that the Senator from Texas can accomplish under his substitute, it will be entirely within the province of the conferees and of the two Houses subsequently to do, by merely reducing or abating the 1942 tax by 50 percent. It would do it in the same way, because under the bill known as the committee bill in the House you go back to the 1941 rates and to the 1941 exemptions, you recalculate your income in 1942 by applying the rates and exemptions, doubling up the work placed upon the taxpayers, and immensely increasing the work of the Treasury Department and the Commissioner of Internal Revenue.

Mr. President, in the 1942 act we lowered exemptions and increased rates, which resulted in adding 7,000,000 taxpayers to the rolls. The substitute amendment offered by the distinguished Senator from Texas would propose to repeal that provision in the 1942 act as to the year 1942, and to let these 7,000,000 taxpayers go free of all tax liability for that year.

Much as I regret it, Mr. President, I would not be able to support that measure. Much as I regret it, because I have the greatest confidence and respect for the House conferees and for the members of the House Ways and Means Committee, I could not support that particular measure. I do not think it is as good as a great many other proposals. Actually it will raise or retain for the Treasury more of the 1942 liability, but its effect is not to apply the reduction equally among our taxpayers.

I shall be glad to answer any questions with respect to the amendment I have offered, but its terms are so well understood and so clear to the minds of all Senators that perhaps no question is necessary.

Mr. President, I wish to offer the amendment in corrected form. The amendment has been printed, and there is no change in substance. There are simply certain technical corrections in

the amendment as printed, and there is one subsection which was inadvertently omitted; but that subsection merely would give to the Commissioner of Internal Revenue, with the approval of the Secretary, the power to administer the section I have amended, under rules and regulations to be promulgated by him.

The PRESIDING OFFICER. Without objection, the amendment as now presented as modified will be printed in the RECORD, unless the Senator desires to have it read.

Mr. GEORGE. No, Mr. President; it is practically the same as the one read yesterday and printed in the RECORD. Unless some other Senator desires to have the amendment read, I see no necessity to read it.

The PRESIDING OFFICER. The amendment, as modified, will be printed in the RECORD.

The amendment, as modified, offered by Mr. GEORGE is as follows:

Page 97, line 19, strike out "and (2)" and insert: "(2) the tax under such chapter for the taxable year 1943 shall be increased by an amount equal to 25 percent of the tax for the taxable year 1942 (determined without regard to this subsection, without regard to interest and additions to such tax, and without regard to credits against such tax for amounts withheld at source), and (3)."

Page 98, line 12, strike out "such excess" and insert: "the sum of such excess plus an amount equal to 25 percent of the tax for the taxable year 1943 (so determined), which shall be in lieu of the increase therein under clause (2) of subsection (a)."

Page 98, beginning with the word "the" at the end of line 14, strike out down to and including the word "Secretary" in line 19 and insert: "in determining such increase the portion of such excess which is attributable to earned net income (as defined in section 25 (a) (4)), as determined under regulations prescribed by the Commissioner with the approval of the Secretary, shall be disregarded."

Page 98, beginning in line 20, strike out all of subsection (c).

Beginning on page 100, line 23, strike out down to and including the period in line 11 on page 101 and insert:

"(c) Extension of time for payment of half of 25 percent increase in 1943 tax under subsections (a) or (b): At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall, except as hereinafter provided, extend the time for the payment of the portion of the tax for the taxable year 1943 equal to one-half of the amount of the 25 percent increase therein under subsection (a) or (b), in which case such portion shall be paid on or before the 15th day of the fifteenth month following the close of such taxable year."

Page 101, lines 13 and 14, strike out "of such increase" and insert "with respect to which the extension applies."

Page 101, line 18, strike out "on each installment" and insert in lieu thereof "on such portion", and in line 22 strike out "installment" and insert "portion."

Page 101, line 23, strike out "any installment" and insert "such portion", and in lines 24 and 25 strike out "and the remaining installments."

Page 102, line 1, strike out "any installment" and insert "such portion", and in line 3 and in line 5 strike out "installment" and insert "portion."

Page 102, line 7, strike out "(e)" and insert "(d)."

Page 102, lines 7 and 8, strike out "(b) and (c)" and insert "(a) and (b)."

Page 102, in line 12, and in lines 14 and 15, strike out "(b) and (c)" and insert in lieu thereof "(a) and (b)."

Page 102, in line 19, and in line 22, strike out "subsections (b) and (c)" and insert "subsection (b)."

Page 102, after the period in line 23, insert: "The 25 percent amount by which the tax for the taxable year 1943 is increased under subsection (a) or (b) shall not be held or considered to be a part of the tax for such taxable year for the purposes of sections 58, 59, 60, and 294 (a) (3), (4), and (5) of the Internal Revenue Code. Subsections (a) and (b) shall be applied in accordance with regulations prescribed by the Commissioner with the approval of the Secretary."

Page 102, line 24, strike out "(f)" and insert "(e)."

Page 103, line 3, strike out "(g)" and insert "(f)."

Page 104, line 5, strike out "(h)" and insert "(g)."

Page 107, line 3, strike out "6 (b)" and insert "6 (a) or (b)."

Page 107, strike out lines 9 to 15, inclusive, and insert:

"(B) the entire amount by which the tax for the taxable year 1943 is increased under section 6 (a) or (b) to the extent that such amount is so attributable; and

"(C) the entire amount of the tax so attributable for all subsequent taxable years during which he was in such service; or

"(3) if such individual entered upon such service after the close of the taxable year beginning in 1943,

"(A) that portion of the amount by which the tax for the taxable year 1943 is increased under section 6 (a) or (b) of the Current Tax Payment Act of 1943 which falls due (otherwise than by reason of an extension of time for payment) after entering upon such service, to the extent that such portion is so attributable;

"(B) the entire amount of the tax so attributable for all taxable years during the whole of which he was in such service."

The PRESIDING OFFICER. The question is on agreeing to the amendment—

Mr. GEORGE. Mr. President, before the question is put, unless there is to be argument—

Mr. LODGE. Mr. President, let me inquire what is the present parliamentary situation?

The PRESIDING OFFICER. The amendment of the Senator from Georgia, as modified, has just been submitted; and the question will be on agreeing to it.

Mr. LODGE. As an amendment to the committee amendment?

Mr. GEORGE. As an amendment to the committee amendment.

Mr. LODGE. Has the Senator from Texas withdrawn his amendment?

Mr. GEORGE. Temporarily.

Mr. LODGE. Temporarily?

Mr. GEORGE. Yes; because the adoption of his amendment, which was a complete substitute, would have precluded any further discussion on the committee version.

Mr. JOHNSON of Colorado. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. JOHNSON of Colorado. If the amendment offered by the Senator from Georgia were agreed to, would it then be impossible for the junior Senator from Texas [Mr. O'DANIEL] to offer his amendment?

The PRESIDING OFFICER. The present occupant of the chair understands not. The bill would be open to further amendment.

Mr. GEORGE. I do not think the Senator from Texas would be precluded from offering his amendment; and, in the event that question should arise, I would ask that the Senator have the privilege of presenting it. I think undoubtedly he could present it.

Mr. JOHNSON of Colorado. I thank the Senator.

Mr. GEORGE. Mr. President, I have only this final word to add: I believe that when the thoughtful people of the country—small taxpayers and large taxpayers—know all the facts they will not hesitate to say that the amendment I have offered to the bill should be agreed to, rather than the committee version, because it goes as far as it is necessary to go, in my opinion, in order to accomplish everything which should be properly accomplished by the committee version. I think the American people will feel, upon sober reflection, that the Congress should not take steps to abate the entire 1942 liability, when that is unnecessary.

So far as the committee plan is concerned, I frankly admit that if it were agreed to, there would come into the Treasury in 1943 the same amount of money as that under existing law, increased by any increase in income upon which the levy would be imposed, plus the windfalls. But all the windfall effect, of course, would not come in within the first fiscal year, because such items would be collected over a period of years.

Mr. CLARK of Missouri. Mr. President, will the Senator yield to me for a question?

Mr. GEORGE. Yes; I am glad to yield.

Mr. CLARK of Missouri. From the statement the distinguished Senator from Georgia, the very able and much-beloved chairman of the Finance Committee, made in the Finance Committee, I have understood that it was the theory of the Senator from Georgia, in offering his substitute, that a certain amount of double taxation—which, of course, his proposal is, to the extent of 25 percent of the 1942 taxes—would be justifiable if taken as an increase in the forthcoming tax rates, and that it would be a substitute for an increase in the tax rates. Am I correct in that statement? I certainly so understood the Senator, as he made his original statement.

Mr. GEORGE. I may have made that statement, and I think I did make it in substance; but, of course, in that respect I was speaking for myself; I was not undertaking to bind the Treasury.

Mr. CLARK of Missouri. Yes; I understood that was the Senator's individual proposition.

Mr. GEORGE. Yes; and I still think so.

Mr. CLARK of Missouri. But, of course, the Senator is familiar with the fact that, possibly for the purpose of increasing any effective support that there might be for the so-called Ellender plan, and perhaps for the purpose of trying to influence Senate action against either the committee amendment or the

Senator's own substitute, the Secretary of the Treasury yesterday took occasion to announce that he was going to insist on the levying of \$16,000,000,000 of new taxes. As I read his statement, he said Congress had to do that. Of course, I do not understand what authority the Secretary of the Treasury has to say that Congress has to do anything; but I so read the statement of the Secretary of the Treasury.

Therefore, I take it that the Senator from Georgia is not in a position to say that his proposal would be a substitute for additional taxes. Is that a correct statement?

Mr. GEORGE. No; I cannot say that; because I am not speaking for the Treasury. Frankly, although some part of the press has intimated that my plan has the approval of the Treasury, I do not think I should say that my plan does have the Treasury's approval—certainly not in the first degree; it might have in the second, third, or fourth degree.

Mr. CLARK of Missouri. But the Senator's own proposition, as presented to the Finance Committee, was that the increasing or doubling-up of taxes to the extent of 25 percent of 1942 income, which would be spread over 2 years, and would amount to a 12½-percent increase of taxes—

Mr. GEORGE. Not a 12½-percent increase; it would be a 12½-percent increase of the 1942 liability, which would be far less—

Mr. CLARK of Missouri. The Senator is correct. As I was saying, the Senator's own proposition, as presented to the Finance Committee, was that the increasing or doubling-up of taxes to the extent of 25 percent of 1942 income would be taken in lieu of further taxes in the period in which the increase or doubling-up would be imposed; is that correct?

Mr. GEORGE. I speak to the Senator in perfect frankness, and say that would be so only insofar as I myself am concerned.

Mr. CLARK of Missouri. I understood that the Senator from Georgia was speaking only for himself. I am very much interested in his proposition, and I am interested in ascertaining now what it is. But, in view of the statement of the Secretary of the Treasury, it seems to me that that very appealing argument for the plan of the Senator from Georgia has failed.

Mr. GEORGE. I do not know why the Secretary of the Treasury made the statement, and I do not know what statement he made. I suspect that he expressed the hope that we might raise \$15,000,000,000 or \$16,000,000,000 of new taxes.

Mr. CLARK of Missouri. Of course, the Senator from Georgia is undoubtedly familiar with the fact that certain elements of the taxpayers of the country have taken that proposition, as it was understood by me and, I think, by every other member of the Finance Committee, and have been sending out telegrams urging the support of the Senator's proposal on the very basis that it might obviate an increase in corporation taxes.

Mr. GEORGE. I said nothing about

corporation taxes, and corporation taxes are not involved in the bill.

Mr. CLARK of Missouri. I entirely agree with the Senator from Georgia on that point. However, a certain very powerful organization of large taxpayers, I am informed, not by authority of the organization itself, but by authority of a section of the organization, has been sending out telegrams, as the Senator may or may not know, supporting his amendment on the theory that it was the most effective way to prevent increased taxes on corporations during the period of the next 2 years. I refer to the National Association of Manufacturers, I say to the Senator.

Mr. GEORGE. I know nothing of the telegrams. I have conferred with no member of the association.

Mr. CLARK of Missouri. Mr. President, I was not suggesting that the Senator from Georgia had done so. I should like to have the Senator understand me on that point. I am not suggesting that the Senator from Georgia was a party to the sending out of the telegrams. As a matter of fact, I am informed by responsible officers of the National Association of Manufacturers that the telegrams were sent out not by that organization, but by an individual member of the organization who happened to be chairman of its tax committee. Nevertheless, the fact remains that within the last 2 days a considerable propaganda has been started in behalf of the Senator's substitute, on the theory that it would obviate any increase in corporation taxes.

Mr. GEORGE. As I see it, corporation taxes are certainly not involved in this bill either directly or indirectly. My position is that if 25 percent of the 1942 liability of the individual income taxpayer were carried over, as I have suggested, there should be no further increase in individual income-tax rates for the next 2 years. If the Republicans should take charge of the Senate 2 years hence—the good Lord forbid—I think we might safely anticipate that they would not suggest a further increase in individual income-tax rates.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. GEORGE. I am glad to yield.

Mr. TAFT. That was the very question I wished to ask the Senator. Of course, the assurance given by the Senator is only his own.

Mr. GEORGE. That is correct.

Mr. TAFT. The Treasury certainly has given no such assurance, as I understand.

Mr. GEORGE. Not so far as I know.

Mr. TAFT. I should like to state also, for myself, that I certainly would give no such assurance. In my opinion individual income taxes should be raised during the next 2 years. Certainly I would not regard the increase which is proposed, of one-eighth of the tax, without any attempt to adjust the rates as between the lower and upper brackets, as adequate. In some cases I think the rates are too low, and in other cases I think they are too high. Certainly the passage of this bill would not lead me to think that we can set aside any possible

increase in individual income taxes. I believe that individual income taxes should be increased.

Mr. GEORGE. I am speaking only for myself. I agree with the Senator from Ohio that there should be some adjustments in individual income-tax rates, but I would not be willing to vote for still further increases in the individual rates if 25 percent of the 1942 liability were carried over, as I have suggested. However, I am speaking only for myself. I am not undertaking to bind the Treasury, and I am not suggesting that my view represents the Treasury's attitude.

However, I hope that I may be permitted to live during the next 2 years, and that will be my position, particularly if this increase is now superimposed on top of the present rates. That would not preclude certain necessary adjustments which should be made.

I am very anxious to have the opportunity to make some adjustment in the Victory tax, and particularly in the provision for crediting that tax in the computation of income for general income-tax purposes. However, those questions are, of course, not precluded by my statement. I would not undertake to influence any Senator to vote for this proposal in the hope that there would be no further increase in individual income taxes, but I can say with great confidence that there is certainly much stronger probability that we shall face a demand for an increase in the individual income-tax rates if the committee bill is enacted as it was reported to this body, and that demand will be very difficult to resist.

So far as the corporate rates are concerned, I think my own opinion is fairly well known to the country. I know nothing of any telegram which anyone sent, why he sent it, or what may have influenced the sending of the telegram; and I do not care. I have never been afraid that any kind of propaganda would persuade me to do wrong. I have never been afraid to talk to anyone because I have never believed that anyone, by talking to me, could make me believe something that was not true.

I have received many protests against the proposal. The C. I. O. is against it. If Senators wish to adopt the C. I. O. program, they may do so. I do not ask Senators to compare one program to another according to the endorsers of the respective programs. I do not care a continental who endorses my proposal outside the Senate. I have made it in the interest of the American people, the American taxpayers, and the Treasury of the United States. On that ground I stand.

Mr. CLARK of Missouri. Mr. President, will the Senator yield for one suggestion?

Mr. GEORGE. I yield.

Mr. CLARK of Missouri. I should like to make it very clear to the Senator from Georgia and to the Senate that I was not suggesting in any way that the Senator from Georgia had anything whatever to do with sending the telegrams to which I referred. I know that what the Senator from Georgia has said as to his attitude on this and other legislative

matters is absolutely true. I know that from 10 years' service with him in this body. I simply called attention to this matter because it seemed to me that the sending of the telegrams might be based on a misapprehension of the effect of the Senator's amendment.

Mr. GEORGE. I believe I understand the position of the Senator from Missouri.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Georgia [Mr. GEORGE] to the amendment of the committee, as amended.

Mr. CLARK of Missouri. I suggest the absence of a quorum.

Mr. TAFT. Mr. President—

Mr. CLARK of Missouri. If the Senator desires to speak, I shall be glad to withhold my suggestion of the absence of a quorum.

Mr. TAFT. I wish to address the Senate.

Mr. CLARK of Missouri. I withdraw my suggestion of the absence of a quorum.

Mr. VANDENBERG. Mr. President, does the Senator wish to have a quorum call?

Mr. TAFT. I do not believe it is necessary.

Mr. President, I have not taken a very active part in the discussion of this particular amendment, and I do not feel so enthusiastic in favor of the Ruml plan as some other Members of the Senate may feel—certainly not so enthusiastic as some members of the press. When it was first presented last summer it seemed to be of relative unimportance; and I still think it is relatively unimportant, compared with some of the more important issues of taxation and the financing of the war.

It seems to me that the Ruml plan would leave us just about where we are. I never could see that the Ruml plan would greatly change my liability or change the Government's revenue, or make any substantial change in the realities of the situation. So at that time, while I was mildly in favor of it, I took no particular interest in its presentation.

More and more, however, as we went on it became apparent that we had to have a withholding tax. If we are to have a withholding tax, a situation is produced in which we must deal with the problem raised by the Ruml plan.

The one thing which seemed to me to be unfortunate is the Treasury's proposal of last summer, however, and the ground on which I object to the amendment proposed by the Senator from Georgia, is that 2 years' taxes are made payable in 1 year. That is the effect of the amendment of the Senator from Georgia. It is an increase of taxes. The taxpayer would pay all his taxes for 1943, and in addition, one-eighth of his tax for 1942. The next year he would pay all his taxes for 1944, and one-eighth of the 1942 tax in addition.

If we are to increase income taxes, I think we ought to increase them directly. We ought to increase them after a consideration of the whole problem of all the taxpayers, and consideration of the question of where the burden ought

to fall. We ought not to increase them by telling a taxpayer that he must pay two taxes in 1 year.

It seems to me that the objection which has been raised against the other amendments proposed is equally an argument against the amendment offered by the Senator from Georgia.

I have never been able to understand the theory that the Ruml plan is forgiveness. If we were really forgiving taxes, it seems to me that the arguments presented by the Senator from Texas [Mr. CONNALLY] and the Senator from Virginia [Mr. BYRD] would be valid. I have never been able to see where there is any forgiveness. Let us look at the question from two points of view—from the point of view of the Government, and the point of view of the individual taxpayer. From the Government's point of view, how can there be any forgiveness when the Government receives the same amount of money every year, whether or not the Ruml plan is adopted? As a matter of fact, over a long period the Government would receive exactly the same—probably more in the long run—under the Ruml plan as it would receive under the other plan.

It is said that the 1942 taxes are to be forgiven; but at the same time that it is proposed to forgive the 1942 taxes, it is proposed that the taxpayer pay the 1943 taxes, which would not otherwise be payable until 1944, in the year 1943, when otherwise the taxpayer would pay his 1942 taxes. So he would pay exactly the same amount whether we adopt the Ruml plan or not.

In 1943 the Government would actually receive more money under the Ruml plan than it would under any of the other plans. In 1944 it would still receive more money. In the long run the Government will always receive more money when the national income is rising. It is rising now, and is likely to rise again in 1944, and in 1945.

Mr. GEORGE. I do not think the Senator from Ohio means to say that under the Ruml plan the Treasury would receive more money in the fiscal year 1944 than it would under the amendment which I have offered.

Mr. TAFT. No, I think not; because the Senator is proposing that 2 years' taxes be paid in 1 year. Of course, if that were done, more money would be collected than under any other plan. I was really referring to the amendment presented by the Senator from Texas. His amendment is in opposition to the Ruml plan altogether.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. JOHNSON of Colorado. I do not think it is an accurate statement to say that under the Ruml plan more taxes would be collected in 1944 than under any other plan. If the taxes are to be collected as they are collected under the present law, if no change were made whatever, we would collect just as much in the way of taxes for 1944 as we would under the Ruml plan. We would collect them, however, in 1945.

Mr. TAFT. I was assuming that the national income would still be rising in

1944. It has risen every year so far. The Government would collect taxes on the 1944 income which would be greater than for 1943. It would collect more money in 1944 under the Ruml plan than under existing law.

Mr. JOHNSON of Colorado. The point is that the Government would collect the 1944 liability in 1945.

Mr. TAFT. That may be; but—

Mr. JOHNSON of Colorado. It is not "may be"; it is absolutely true.

Mr. TAFT. The Government will collect the same amount of money; and when we make a budget today for 1944, we are concerned as to how much money the Government will collect in 1944, not in 1945. In the long run the Government is in exactly the same condition it would be in whether we adopted the Ruml plan or did not adopt it, because in the years of rising income the Government would get advantage of that income more quickly, and in years of a falling income the Government would feel the effect of the lowered income more quickly, and therefore it would collect less money. I think in the long run the Government would receive the same amount of money, whether we adopt the Ruml plan or did not adopt it. The only difference in the world between the two plans is that at the end of each year the Government does not have on its books a lot of accounts receivable in taxes. And what good are they, Mr. President? The Government cannot sell them, cash in on them, or use them in any way. As a matter of fact, the Government actually pays me interest on the money I loan the Government on tax anticipation notes, which it will later pay back to help me pay my taxes next year. Those accounts receivable on the Government books would not make any difference, and in 1980, if you please, the Government would be in exactly the same financial condition under one plan as under the other, except that in 1980 it would not have those accounts receivable on its books. That is the only effect I can see of the adoption of the Ruml plan, so far as the Government is concerned.

There are certainly many individuals to whom the Ruml plan might make a difference. However, so far as I myself am concerned, I do not see any difference. I would pay in 1943 actually the same amount under the Ruml plan as I would pay under the existing law. It would be just the same, dollar for dollar, unless there should be imposed on me the additional 12½-percent tax, as proposed by the amendment of the Senator from Georgia. Otherwise I would pay the same amount, and next year I would pay the same amount.

When national income or individual income is falling, it is true that one would pay less money under the amendment proposed than he would under the existing law. Should not that be so? If the national income at any time drops from \$100,000,000,000 to \$80,000,000,000, should not the tax burden of the people be reduced? Is not that a sound policy of taxation? And when the national income increases, should not the Government get the advantage of the in-

crease more quickly? Should we not have that additional income reflected in greater taxes more quickly than under the present plan? As a matter of fact, if my income is falling off, I think I ought to pay a lower tax in the year in which the income falls off. That seems to me to be a sound policy of taxation. But, as a matter of fact, the great bulk of people pay from year to year about the same income tax. The only time a person receives an advantage is when he dies, and his estate is left without any income tax to pay. That, as a rule, would result in an increase in the estate tax, and probably result in the Government recovering about 50 percent of the money not paid in income taxes. But consider the continuation of that property. If that man had property and was receiving income from it, the property would presumably go to his heirs, and under the Ruml plan his heirs would begin to pay taxes 1 year sooner than they would otherwise pay under the existing law. So, what is lost from the man who dies is made up by 1 year's equivalent collection of taxes from his heirs.

The Senator from Virginia stated that when his term came to an end and his income of \$10,000 a year was reduced to nothing—which was a violent assumption, as I pointed out—if we suppose there could be such a case, there would be a successor from the State of Virginia who would receive \$10,000, and the successor would have to pay 1 year sooner on the \$10,000 salary which he would be receiving from the United States Government. So the Government would be losing nothing. The mere fact that we can find here and there some case in which somebody derives an advantage by having all these taxes moved up 1 year does not seem to me a valid argument against the general policy.

So far as the claim is concerned that there is forgiveness of \$9,000,000,000 in taxes, it seems to me that we have departed very far from the realities. The Government gets just as many dollars every year from now to about 1980 or 2000. It is very hard for me to see how it can be said to be giving up \$9,000,000,000. There would be no forgiveness.

The result is that when we come to the point of dealing with the additional tax proposed by the amendment of the Senator from Georgia, what we are really asked to do is to increase everybody's income tax. That is admitted. If there is really any forgiveness, how could it possibly result in an increase in people's taxes?

It is said there is a 75-percent forgiveness. Yes; but it is imposing such a tremendous additional burden on the taxpayers of the United States during the next 2 years, that the Senator says he is opposed to any additional increase in rates of any kind on individual incomes. There can be no forgiveness in that plan. It is a plan to impose additional taxes; to impose part of 2 years' taxes in 1 year.

I think there should be additional taxes, but I do not think taxes should be increased by adding one-eighth to the amount everyone pays in taxes. If we

need more money, we ought to approach the whole problem and consider corporations and individuals alike, and try to work out an equitable burden over the whole field of taxes in connection with all the taxes.

The purpose of the pending bill is merely to provide a withholding tax and as nearly as possible to put people on an equal basis. The Treasury has said, and properly so, that whether the Congress passes this bill or not, it will propose immediately another bill to increase taxes. I believe it will, and I think we should consider that bill. I do not think we ought to take this bill and use it as a means of increasing people's taxes.

Reference has been made to the fact that the National Association of Manufacturers has sent out telegrams. I have received I suppose from 50 to 100 telegrams from leading manufacturers of my State as a result of the telegram which was sent by the National Manufacturers' Association, which said "Vote for the George amendment, because if you do it will mean an indefinite postponement of additional taxes, particularly on corporations," and this 12½ percent increase on every individual in the United States who pays taxes is going to protect the corporations and protect all the rest of us individually against greater increases than 12½ percent.

Certainly it seems to me that we would be going a long way from the proper purposes of a pay-as-you-go tax bill. If there is any forgiveness involved in this bill, we should not pass it at all, or pass the House text, or simply provide that money withheld shall be applied on last year's tax. But if it is not forgiveness, and I am convinced it is not, we should certainly not adopt the George amendment as a means of increasing the individual taxes 12½ percent.

The PRESIDING OFFICER. The question is on the amendment, as modified, offered by the Senator from Georgia [Mr. GEORGE] to the amendment of the committee, as amended.

Mr. VANDENBERG. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	George	O'Daniel
Austin	Gerry	Overton
Bailey	Gillette	Radcliffe
Ball	Green	Reed
Bankhead	Guffey	Revercomb
Barbour	Gurney	Reynolds
Bilbo	Hatch	Robertson
Bone	Hawkes	Russell
Brewster	Hayden	Scruggs
Bridges	Hill	Shipstead
Brooks	Holman	Stewart
Buck	Johnson, Colo.	Taft
Burton	Kilgore	Thomas, Idaho
Bushfield	La Follette	Thomas, Okla.
Butler	Langer	Thomas, Utah
Byrd	Lodge	Tobey
Capper	Lucas	Tunnell
Caraway	McClellan	Tydings
Chandler	McFarland	Vandenberg
Chavez	McNary	Van Nuys
Clark, Idaho	Maloney	Wagner
Clark, Mo.	Maybank	Walsh
Connally	Mead	Wheeler
Danaher	Millikin	Wherry
Davis	Moore	White
Downey	Murdoch	Wiley
Ellender	Murray	Wilson
Ferguson	Nye	

The PRESIDING OFFICER. Eighty-three Senators have answered to their names. A quorum is present. The question is on the amendment, as modified, offered by the Senator from Georgia [Mr. GEORGE] to the amendment of the committee as amended.

Mr. GEORGE. Mr. President, I ask for the yeas and nays on the amendment to the amendment.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. McNARY (when his name was called). On this vote I have a pair with the senior Senator from Kentucky [Mr. BARKLEY], who is absent because of illness. If he were present, he would vote "yea." I transfer that pair to the junior Senator from Indiana [Mr. WILLIS], who, if present, would vote "nay." I am prepared to vote. I vote "nay."

Mr. THOMAS of Idaho (when his name was called). On this vote I have a pair with the Senator from Florida [Mr. PEPPER]. If he were present he would vote "yea." If I were permitted to vote, I should vote "nay."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Kentucky [Mr. BARKLEY], the Senator from Virginia [Mr. GLASS], the Senator from Tennessee [Mr. McKELLAR], and the Senator from South Carolina [Mr. SMITH] are absent from the Senate because of illness.

The Senator from Nevada [Mr. McCARRAN] is absent conducting hearings in the West on behalf of the Senate.

The Senator from Missouri [Mr. TRUMAN] and the Senator from Washington [Mr. WALLGREN] are out of the city conducting hearings on behalf of the Special Committee to Investigate National Defense.

The Senator from Florida [Mr. PEPPER] is detained on important public business.

The Senator from Wyoming [Mr. O'MAHONEY] is necessarily absent. I am advised that if present and voting he would vote "yea."

The Senator from Mississippi [Mr. EASTLAND] is detained in one of the Government departments on matters pertaining to his State. I am advised that if present and voting he would vote "yea."

I further announce that the Senator from Virginia [Mr. GLASS], who if present and voting would vote "yea," is paired with the Senator from Nevada [Mr. McCARRAN], who if present and voting would vote "nay."

The Senator from Tennessee [Mr. McKELLAR], who if present and voting would vote "yea," is paired with the Senator from Florida [Mr. ANDREWS], who if present and voting would vote "nay."

Mr. McNARY. The Senator from California [Mr. JOHNSON] is absent because of illness. The Senator from Indiana [Mr. WILLIS] is necessarily absent.

The result was announced—yeas 32; nays 50, as follows:

YEAS—32

Bailey	Hayden	Robertson
Ball	Hill	Russell
Bilbo	Holman	Scrugham
Byrd	Johnson, Colo.	Stewart
Caraway	Langer	Thomas, Okla.
Connally	McClellan	Thomas, Utah
Downey	McFarland	Tydings
George	Maybank	Van Nuys
Green	Murdock	Wiley
Guffey	Murray	Wilson
Hatch	Reynolds	

NAYS—50

Aiken	Danaher	Nye
Austin	Davis	O'Daniel
Bankhead	Ellender	Overton
Barbour	Ferguson	Radcliffe
Bone	Gerry	Reed
Brewster	Gillette	Revercomb
Bridges	Gurney	Shipstead
Brooks	Hawkes	Taft
Buck	Kilgore	Tobey
Burton	La Follette	Tunnell
Bushfield	Lodge	Vandenberg
Butler	Lucas	Wagner
Capper	McNary	Walsh
Chandler	Maloney	Wheeler
Chavez	Mead	Wherry
Clark, Idaho	Millikin	White
Clark, Mo.	Moore	

NOT VOTING—14

Andrews	McCarran	Thomas, Idaho
Barkley	McKellar	Truman
Eastland	O'Mahoney	Wallgren
Glass	Pepper	Willis
Johnson, Calif.	Smith	

So Mr. GEORGE's amendment, as modified, to the amendment of the committee, as amended, was rejected.

The VICE PRESIDENT. The question recurs on agreeing to the amendment in the nature of a substitute proposed by the Senator from Texas [Mr. CONNALLY] to the amendment of the committee as amended.

Mr. LA FOLLETTE. Mr. President, I realize that a stage has been reached in the consideration of the problem before the Senate where it is probably impossible for debate to have any effect upon the ultimate outcome. However, in view of the importance of the question under consideration, I wish briefly to state my position for the RECORD. I ask my colleagues to bear with me, because I am slightly indisposed today, and therefore I shall not be able to speak long and to cover as much ground as I had intended.

I feel that our country faces not only the gravest military crisis ever confronted by any nation in the history of the world, but I feel likewise that we face the most serious fiscal crisis any nation in modern times has ever been forced to confront.

I yield to no man, in this Chamber or out of it, in my firm confidence in the vast productive capacity of this Nation and its people. However, no other nation in all the written history of the world has ever undertaken such a task as that which this Nation has assumed in this war. We are attempting not only to raise, equip, and to carry overseas a huge Army of our own; we are also attempting to act as the arsenal for the United Nations, not only for their actual munitions and equipment of war, but even so far as a substantial part of their food and clothing is concerned.

Mr. President, this has resulted in appropriations of money the sums of which I contend are beyond the comprehension of the human mind. It may be, and I do not question, that there are mathematicians who understand the mathematics

of the figures which we use in connection with the stupendous and unprecedented appropriation record of the American Congress since 1939, but I insist that there is no one in this Chamber or out of it who knows what these figures mean, when translated into dollars and cents, in terms of wealth and the productive capacity necessary to produce these sums of money.

Naturally, Mr. President, with this huge expenditure of money we are, and have been from the beginning of our defense program, in danger of experiencing a run-away inflation. When I use that term I wish to distinguish clearly and concisely between a rising price level, which I think all too often people have characterized as inflation, and that form of inflation which comes when there is a flight from currency into goods. Every intelligent person knows that if such inflation as I have described is experienced by this Nation, all citizens of the United States will suffer. They will suffer the loss of their accumulated savings. Those who are creditors will suffer the loss of their assets. But over and above that, Mr. President, if any such unfortunate condition ever descends upon America we shall be in danger of losing all the things for which we say we are fighting this war.

It is a blind man, indeed, Mr. President, who cannot see that one of the principal things which produced totalitarianism in this world was the uncontrolled inflation which swept over the countries that became the victims of totalitarianism. So far as my limited knowledge of history goes, there is no nation in all history in which the liberties of people have existed, that has preserved them under a runaway, uncontrolled inflation.

Mr. President, there are certain methods by which a government may seek to prevent an inflation in the face of stupendous expenditures. One is by setting prices and attempting to regulate the prices of commodities. Another method, when commodities are scarce in relation to purchasing power, is to ration the distribution of such commodities. Another method is to utilize the taxing power of government to subtract from the income stream of the citizens large portions of the purchasing power which are over and above the available goods and services to be purchased therewith.

In view of the astronomical character of our appropriations and expenditures it seems to me that we are indeed caught in a strange situation when the Congress of the United States, first in the House of Representatives and now in the Senate, for the first 4 months of its session, should have been the scene of a bitter struggle over how much of the tax liability owing and assessed against the taxpayers of the United States should be abated, canceled, or forgiven.

Mr. CLARK of Idaho. Mr. President—

The VICE PRESIDENT. Does the Senator from Wisconsin yield to the Senator from Idaho?

Mr. LA FOLLETTE. I yield to the Senator from Idaho.

Mr. CLARK of Idaho. I wonder if the Senator has given any thought to

another possible alternative, and that is a capital levy, which is almost an anathema at this moment, but which, if properly worked out from a mechanical standpoint, may solve many of the difficulties which the Senator is dwelling upon in so scholarly a fashion.

Mr. LA FOLLETTE. Mr. President, I am frank to confess that I have never given any serious consideration to a capital levy. Such time as I have had to devote to matters of taxation has been devoted in an effort to secure greater taxation and more equitable taxation. I have never devoted any time to the consideration of a capital levy, because I have always considered it to be unconstitutional, and therefore futile.

I repeat, Mr. President, that it seems absolutely incomprehensible to me that we should have devoted such a large portion of the first session of this Congress to a clash over how much of the 1942 tax liability already assessed and partially collected the Congress should abate, cancel, or forgive. In my opinion, it is very unfortunate that we are forced to consider as a separate problem the question of the advisability and the practicability of making a portion or all of the taxpayers in this country current when there exists the absolute, urgent necessity of increasing the amount of money which is being collected from the taxpayers.

I venture the assertion that many of the words—and there have been millions of them—which have been uttered in this debate in the two Houses of Congress and in the country, would never have been uttered if we were attempting to achieve a certain goal in the collection of increased taxes from the taxpayers of the United States. It is only because we are considering this question as a sole and single question, seemingly unrelated to the question of the urgent need of the Treasury for increased revenue, that we are able to feel we are in a position to abate, cancel, or forgive all or a portion of the 1942 tax liability of the taxpayers of this country.

Mr. President, one could go on at great length in discussing the question of inflation. It is not my purpose to do so, but I do wish to point out one state of facts which it seems to me should impress every Senator who is considering the problem before us. The national income for 1943 is estimated, as I understand, by the most recent estimates, to be \$135,000,000,000. We are collecting about \$15,000,000,000 in personal taxes. If we subtract the taxes from the national income we find that \$120,000,000,000 over and above personal taxes is in the hands of people in this country, or will have passed through their hands by the end of 1943. During this year it is estimated that there will be available, due to the sharp curtailment of civilian supplies, only \$65,000,000,000 worth of goods and services. So, it is obvious that there are approximately \$55,000,000,000 over and above personal taxes, goods, and services, which could become, and probably will become, a great inflationary influence in this country. In fact, Mr. President, in my humble opinion, unless we have the courage to be realistic in

our application of taxes, all other efforts to prevent inflation by other methods will fail.

As has been mentioned so many times in the debate, the President of the United States in his Budget message—and again on yesterday, the Secretary of the Treasury reiterated the President's statement—said that \$16,000,000,000 is requested by the executive arm of the Government.

Mr. President, in this connection I desire to point out that one of the battles we are fighting on the economic front in this war is to prevent inflation and to carry our Nation through the war in as sound an economic condition as possible, in order that

Tax revenues as a percent of expenditures for National Governments in the United States, Canada, and the United Kingdom for fiscal year 1943

(In thousands of dollars)

	United States	Canada	United Kingdom ¹
Tax revenue (excluding social-security taxes).....	\$22,339,210	\$2,135,875	\$9,444,000
Expenditures (excluding social security).....	79,915,278	4,439,973	20,415,360
Tax revenues as a percent of expenditures.....percent.....	28.0	48.1	46.3

¹ Pound converted at \$4.

² Includes post-war credits for excess-profits tax and Victory tax.

³ Includes refundable taxes

⁴ United States excludes expenditures of \$522,049,500 for social security; Canada excludes expenditure of \$29,985,000 for old age pensions; and United Kingdom excludes \$730,556,000 for health, labor, insurance (including old-age and widows' pensions).

Source: For United States, Budget of United States, 1944; for Canada, House of Commons Debates, Mar. 2, 1943; for Great Britain, Financial Statement (1942-43).

Mr. LA FOLLETTE. Mr. President, I say that we should take into consideration the economic conditions our country will face. In my opinion, we do not discharge our full responsibility to posterity, we do not discharge our full responsibility, if you please, to the men who are fighting on all the far-flung battle fronts, if we do not have the courage to tax heavily enough to maintain a sound economy to which our fighting men can return with the expectation of resuming a somewhat normal life.

Therefore, Mr. President, in my humble opinion, in our approach to the pending bill and amendments we should not separate these problems, even if they are separated at the time of our consideration of them. For I feel certain that when the temporary insanity which, it seems to me, has seized upon the Congress and the country, is dissipated and lifted, we shall realize that we must assume our responsibility and must discharge it, and that before the end of the present taxable year we shall have pending in this Chamber a tax bill designed to raise by taxation more revenue than we are now raising. When we are confronted with that situation, Mr. President, when we are confronted with the need to raise more money in taxes this year, I think we shall realize that the Congress and the country have been caught in a mare's nest in the consideration of these various proposals.

Mr. President, how did the question of current collection of taxes happen to be raised? It happened to be raised because in the exercise of our plenary power to tax, we decided that in the face of the great burden confronting the Treasury we would have to dip down into the low-income groups of our people and

we may successfully face and deal with the post-war problems. We should take warning from the fact that this great Nation, the richest Nation on earth, is raising by taxation only a small percentage of the funds required for its total expenditures. It is estimated that in 1943 this country will obtain from tax revenues only 28 percent of its expenditures, whereas Canada will raise 48.1 percent, and the United Kingdom will raise 46.3 percent. I offer a table with the supporting figures, and ask unanimous consent to have it printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

ask them out of their meager incomes—many of them so low as not to furnish a decent standard of living—to contribute toward meeting the extraordinary burden created by the war. To accomplish that end, we lowered the personal exemptions and we imposed the Victory tax.

Mr. President, that was how the main question of current collection of taxes came to be raised—in that way and also in connection with the problem of men going into the armed services who find themselves with less income than they had in private life.

Collection at the source is provided for in all the measures, so far as I know, upon which the Senate will vote this afternoon before it concludes consideration of the pending bill. Under all the plans, as I understand them, at least 70 percent of the taxpayers will be made current in their tax payments, because the withholding tax provided will be sufficient, under existing law and exemptions, to discharge their tax liabilities to the Government. In other words, at least 30,000,000 of our taxpayers will be made current in their tax payments through the withholding tax, insofar as any of the plans upon which the Senate will vote are concerned.

But beyond that we are considering, Mr. President, the problem of the 14,000,000 taxpayers who will not become absolutely current in their tax payments because they do not derive their incomes from salaries and wages or do not have a sufficient amount of their income deducted at the source in order to discharge their current tax liabilities. I recognize that Congress and the country have become enamored of current collection of taxes. I confess that I fell victim to the

blandishments of that suggestion. But I should like to say, in passing, that in my opinion the group which does not have a collection at the source of an amount sufficient to discharge its full tax liabilities will find the methods proposed in these measures—proposals of quarterly returns and estimates of income—more onerous and less desirable than the existing law, as it has worked out in their experience. Certainly it would make the administration of the law more complicated, and it certainly would require a great many more persons in the Bureau to collect the taxes.

Mr. President, there are 4,000,000 taxpayers whose incomes exceed the first surtax bracket after exemption, and they, of course, are the persons whom we normally speak of as being in the middle or upper brackets of income. Despite the fact that many middle-bracket taxpayers would receive substantial abatements under the Finance Committee bill, it is my belief that in the long run, in view of the over-all revenue problems with which we are confronted, the taxpayers in the middle- and lower-income brackets would be better off if we would inaugurate current collections on 1943 incomes on July 1, 1943, without canceling the 1942 liability, and would permit taxpayers to pay in quarterly installments in 1944 that part of their 1943 income tax not paid by current collections in 1943. I recognize that this would mean a stiff burden; but, Mr. President, if we are to prevent inflation in this country, from which all persons would suffer grievously, we must stiffen the burden upon the taxpayer. Such a program would have produced about \$8,000,000,000 in additional revenue and would have gone a long way toward meeting the fiscal problems of the Government. At least the taxpayer would know early in the year what his burden in 1943 is going to be.

Now, I fear that the taxpayers will be subjected to the same tragic experience which they suffered in connection with the 1942 tax bill. I fear that once collection-at-the-source has been written upon the statute books it will be many months before another revenue bill can be fought through the Ways and Means Committee, the House of Representatives, the Senate, and conference, and become law. And throughout all that time the taxpayer will be in the dark as to his final tax bill.

However, Mr. President, I was in no position to write the ticket, and so, as I see it, we are confronted with a series of choices. If we are to cancel, abate, or forgive the 1942 tax liability, the question is, How much shall be abated and to what groups shall that abatement be given?

In my humble opinion, the greatest fallacy in this whole debate is the idea that the tax liability assessed and due from the individual taxpayer is something which belongs to the particular individual. It does not. As I see it, it is an obligation which he owes under existing law as a citizen to his Government. It is his share of the cost of Government in 1942, and that portion of the cost of the war which the Government

saw fit to levy in the form of taxes. He has enjoyed that income. He has either spent it all or saved a portion of it.

It seems to me that the contention that if we now move in the direction of abatement, cancellation, or forgiveness at all, we must return something to the taxpayer because it belongs to him does not bear analysis. Of course, the Government has the right to cancel all or a part of the 1942 tax liability of any individual or any group of individuals, but, in my judgment, that would be only an act of grace on the part of the Government. In my opinion, it would be justified only if we should come to the conclusion that the taxpayer cannot afford to pay the tax liability which has been assessed against him.

Therefore, Mr. President, as I view it, it is a question of policy; but in the event that we are, as a matter of policy, to cancel this obligation, we should be governed by the facts, and, so far as it is applicable, we should be governed by the principle of ability to pay.

I have never known of a question which has come before Congress in all the years that I have been a Member of it which has brought such a sharp division of opinion among honest men as to what the proposal of cancellation or abatement actually would accomplish. I read the debates in the House; I read the testimony before the Ways and Means Committee; I listened to the debate in the Senate; and on each and every one of those occasions there was a sharp difference of opinion among perfectly honest men. The difficulty has been in obtaining a stipulation of facts as a premise from which men could argue as to the policy which should be adopted.

Mr. President, I wish to make a few statements concerning the effect of canceling the 1942 taxes, which statements, it seems to me, are incontrovertible, although I recognize that there are Senators supporting the committee bill who would contend that statement is not correct. These comments, Mr. President, for the sake of some simplicity, disregard the operation of the antiwindfall provisions of the committee bill, and attempt to deal with abatement of 1942 taxes for a moment as a naked issue.

Taxpayers who had taxable income in 1942, under the committee bill would pay 1 year less taxes during their taxpaying lifetime. The tax which they would not pay would be the tax on their 1942 income. Taxes on incomes of 1943 and later years would be paid 1 year sooner than under the existing law. So long as income, exemption status, and tax rates all remain unchanged from the 1942 level, annual tax payments remain unchanged, and are the same as they would be under the existing law. Thus a taxpayer with an annual net income of \$10,000, who is married and has no dependents, would pay \$2,152 in 1943 and in each subsequent year in which there was no change in his income-exemption status or tax rate.

If the taxpayer's income rises from one year to the next, the increase in tax payments takes place 1 year sooner than under present law. Thus a person with a net income in 1942 of \$10,000, of \$15,000 in 1943, and of \$20,000 in 1944 and

subsequent years, would pay the \$4,052 tax on the \$15,000 1943 income in 1943 under the cancellation pay-as-you-go plan, while under present law the taxpayer would pay \$2,512 in 1943 and \$4,052 in 1944. Conversely his income tax payment declines 1 year sooner than under present law. Thus a taxpayer with an income of \$10,000 in 1942, \$8,000 in 1943, and \$6,000 in 1944, would pay the \$1,532 tax on the 1943 income of \$8,000 in 1943, while under present law the taxpayer would pay \$2,152 in 1943 and pay the \$1,532 in the following year 1944. If income ceases tax payment ceases 1 year sooner than under present law. Thus a taxpayer with \$10,000 net income in each year through 1944 and no income thereafter would pay \$2,152 in 1945 under present law but would pay nothing in that year under a pay-as-you-go system with 1 year's tax cancellation.

If tax rates are increased, tax payments will increase 1 year sooner than under present law. Conversely if tax rates decrease tax payments will decrease 1 year sooner than under present law.

Under existing law the taxpayer at the end of each income year is in debt to the Government for the amount of the tax on the income of that year. This liability affects the taxpayer's net worth in exactly the same manner as any other liability. If 1942 taxes are canceled and future tax payments are placed on a current basis the taxpayer's net worth, that is, assets less liabilities, is immediately increased by the amount of the canceled tax.

And as has been stated in this debate, that becomes an asset in any statement of assets and liabilities of any taxpayer's situation.

Under a current payment plan the saving or accumulating of funds to meet taxes in the following year is unnecessary; each year's income furnishes the funds to meet the tax payable in that year. If funds have been accumulated under present law the shift to current payment and the cancellation of the 1942 tax will release such accumulated funds for whatever other purpose the taxpayer may choose to use them. If the tax liability each year is \$12,000 and the taxpayer has accumulated funds to meet the tax at the rate of \$1,000 a month, the cancellation of the 1942 tax will release \$12,000 for other purposes.

Mr. President, it seems to me there is absolutely no escape from that proposition. The taxpayer may retain the \$12,000 as part of his permanent capital. He may spend the \$12,000 on current consumption or he may try to spend it, and because of the shortage of goods and services, he and others similarly situated will contribute to the tremendous inflationary influence which I fear will flow from the enactment of this measure. It will be in his hands. He can spend it. He can blow it in for any purpose he wants to, providing the goods and services are available.

Mr. President, that condition is very much more likely to obtain, and I contend we have a right to take judicial knowledge of the fact that it is very much more likely to obtain, among taxpayers in the medium and upper brackets than

among the taxpayers in the lower brackets.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. CONNALLY. Does not the Senator recall that the financiers and experts have calculated that the national income will exceed the available consumers' goods by something like \$20,000,000,000?

Mr. LA FOLLETTE. The estimate is \$55,000,000,000.

Mr. CONNALLY. Fifty-five billion dollars—whatever the figure is. So there will be that much surplus money over and above our absolute needs; and yet, in the face of that situation, instead of gathering some of that money into the Treasury, we are dishing out more to increase the amount.

Mr. LA FOLLETTE. Mr. President, the advocates of the Ruml plan, the Rumlites, contend that no actual money would flow out of the Treasury into the hands of the taxpayers. But, Mr. President, if we do not exercise the power which we have under the present law and take from the taxpayer the money he had accumulated to pay his taxes, it will be tantamount to paying it out in cash, because it becomes a sum of money which he can utilize to add to his capital or which he can spend for any purpose he sees fit.

Mr. President, my consultation with persons who ought to know, persons who have acted as tax advisers to those in the upper brackets, inform me that to set aside tax money out of current income is a common practice; that it is a rare exception for a man who has enjoyed a substantial income not to accrue or provide for the payment of his taxes as the income is received. If he is in the uppermost brackets, Mr. President, he may not have to do that. If necessary, he can borrow the money to pay his taxes if he desires to do so. The fact remains that so far as the medium- and upper-bracket taxpayers are concerned, the enactment of the pending bill would realize very substantial sums of money which would otherwise go to increase the capital assets of the taxpayers or go into the stream of spending at the very time when we ought to be exercising our taxing power to reduce the amount of money available for spending if we are to avert an uncontrolled inflation.

If he chooses to use the \$12,000 to pay taxes, he will have \$12,000 more of current income available for expenditure.

It is not necessary that the savings be made for this specific purpose of meeting tax liabilities. Savings made not specifically to meet the taxes are relieved of the liability for taxes on the income from which the savings were made upon cancellation of the tax.

If the taxpayer under present law accumulates no saving or insufficient savings to meet his accumulating tax liability, he has lived beyond his income. Even if he has made no savings, the effect of the cancellation is to remove immediately the danger of insolvency with respect to the tax liability. That is certainly a tangible and substantial bene-

fit to confer upon the taxpayer even though he may be in this sorry plight.

Mr. President, it is true that some of the canceled income tax will be returned to the Government in the form of higher estate- and gift-tax revenues, but at the most this return, in the case of a taxpayer with an estate of more than \$10,000,000, will be only 77 percent of the canceled tax, minus the amount of State death tax credited against the Federal tax. At the other extreme there will be no return to the Government in either estate or gift tax. The actual amount of the estate or gift tax will depend (1) on the extent to which the canceled tax is spent or lost; (2) on the extent to which the canceled tax is given away free as a gift; and (3) on the size of the estate and the estate- and gift-tax rates at the time of gift or death.

Since under a current payment plan the income tax must be paid sooner than under the present law, the pay-as-you-go system results in the loss of whatever interest the taxpayer would earn on the funds accumulated to pay the tax. The taxpayer who retires or dies soon after the tax cancellation loses less interest than the taxpayer who continues to pay taxes for many years thereafter. The taxpayer who retires or dies soon after the tax cancellation receives a larger net benefit from cancellation than the taxpayer who continues to pay income taxes over a long period of time.

Taxpayers who did not receive taxable income in 1942 receive no benefit from cancellation and pay taxes on each year's income thereafter. The taxes are paid 1 year sooner than under existing law. The receipt of taxes 1 year sooner from these new taxpayers tends to offset the loss to the Treasury which results when older taxpayers retire or die or suffer a loss of income.

I realize, Mr. President, that the statement of facts which I have made with regard to the naked effect of cancellation may be disputed, but, after the best study I have been able to give to this question, I cannot escape the conclusion that it is absolutely correct.

Now, Mr. President, I desire briefly to advert to one other aspect of this situation which has been discussed at great length here and in the hearings. I wish to refer to a table to which the Senator from Texas [Mr. CONNALLY] made reference in his address the other day, showing what happens to the distribution of this tax cancellation. In the light of the fact that taxpayers in the medium and upper brackets are very much more likely to have accumulated money to pay 1942 taxes, I think we are obligated, if we believe in the principle of the ability to pay, to consider the effect of the distribution of this cancellation of the 1942 tax liability.

A person with a net income before personal exemption—and the maximum earned net income is assumed—of \$2,000 under the House bill would receive a tax cancellation of \$140; under the Ways and Means Committee bill, which the Senator from Texas has offered as an amendment, the same taxpayer would receive a tax cancellation of \$100; and under the

Senate Finance Committee bill he would receive a tax cancellation of \$140.

A person with a net income of \$5,000, under the House bill, would receive a tax cancellation of \$691, under the Ways and Means Committee bill and under the amendment of the Senator from Texas he would receive \$388, and under the Senate Finance Committee bill he would receive \$746.

A person with a net income of \$10,000, under the House bill would receive \$1,614 of tax cancellation, under the Connally amendment he would receive \$860, and under the Finance Committee bill he would receive \$2,152.

A person with a net income of \$100,000 would, under the House bill, receive a tax cancellation of \$18,690, under the Connally amendment he would receive a tax cancellation of \$11,357, and under the Finance Committee bill he would receive a tax cancellation of \$64,060.

A taxpayer with a net income of \$1,000,000 under the House bill would receive a tax cancellation of \$189,750,

Amounts of tax cancellation at selected income levels and total amount canceled for all taxpayers under different plans

A. SELECTED INCOME LEVELS (MARRIED PERSON, NO DEPENDENTS)

Net income ¹	House bill	Connally amendment	Uniform cancellation of—		
			50 percent	75 percent	100 percent (Senate Finance Committee bill)
\$2,000.....	\$140	\$100	\$70	\$105	\$140
\$5,000.....	691	388	373	560	746
\$10,000.....	1,614	860	1,076	1,614	2,152
\$100,000.....	18,690	11,357	32,030	48,045	64,060
\$1,000,000.....	189,750	121,125	427,000	640,500	854,000

B. TOTAL FOR ALL TAXPAYERS, IN MILLIONS OF DOLLARS

Total amount of forgiveness for all taxpayers ²	7,238	4,672	4,908	7,361	9,815
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¹ Before personal exemptions; maximum earned net income assumed.

² Exclusive of windfall provisions and allowing for relief provisions applicable to members of the armed forces.

Source: Treasury Department, Division of Tax Research, May 12, 1943.

Mr. LA FOLLETTE. Mr. President, one significant aspect of the present problem clearly demonstrated by this table is found in comparing the effect of the House version with the proposal made by the Senator from Georgia. It will be seen that, although the total amount of tax liability forgiven in terms of dollars is practically the same, the distribution of the cancellation is decidedly different. Whereas, under the House version a man with a \$2,000 net income would be forgiven \$140, the proposal of the Senator from Georgia would cancel only \$105 of the liability; and in the higher brackets the effect is reversed. Under the House version a person with \$1,000,000 income would be forgiven \$189,750 of taxes, and the so-called George amendment would forgive him \$640,500.

Mr. WILEY. Mr. President, will my colleague yield?

Mr. LA FOLLETTE. I yield.

Mr. WILEY. I have been very much interested in what my colleague has said, but I want to find out if I comprehend the situation. First, he says that because cancellation would allow more

under the Ways and Means Committee bill and under the Connally amendment he would receive \$121,126, and under the Senate Finance Committee bill he would receive \$854,000.

Mr. President, it seems to me that the statement cannot be successfully refuted that if a taxpayer with \$100,000 of net income in 1942 had accumulated money with which to pay his 1942 taxes, as most taxpayers in the upper brackets do under common practice, if we abate or cancel his 1942 tax he will have \$64,060 which will either be added to his capital or which will be available to him to spend.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point, as a part of my remarks, a table showing the amounts of tax cancellation at selected income levels and the total amount canceled, for all taxpayers, under the various proposals made.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

money to remain in the hands of the public there would result a pressure on the so-called commodity goods and thus increase prices. Let me put it concretely. I have been trying to apply his reasoning to my situation. It is very enlightening to know that the Treasury officials stated this morning that less than 1 percent of all the taxpayers in this country were in default on their March payments. I take it that a large percentage of them did as I did, and paid the whole 1942 tax in March. If the new bill which we are contemplating should go into effect, there would be not only \$2,200 which I would have to pay, but I would have to pay 20 percent each month from July on this year. That, plus my \$2,200 next year, will be calculated, and then I will have a credit on my next year's tax. It seems to me that if there is any danger it is in the next year, because then I do not have to build up the difference to pay the next year's tax. In other words, I believe the 1942 taxes, according to the figures here, have been mostly paid. Is my assumption correct?

Mr. LA FOLLETTE. No; I do not think my colleague's assumption is correct.

It is my belief that most of the taxpayers in the upper- and high-income brackets do not pay their taxes in full on the 15th of March, as did my thrifty colleague. They prefer to keep the money and to earn interest on it, rather than let the Government have it. Most of them had heard about the Ruml plan, I feel sure, prior to the 15th of March, and I feel quite sure that most of them paid only one-quarter of their tax. If they saved \$64,060, and if they paid only a quarter of their tax, they would have three-fourths of it in the form of cash, or assets convertible into cash, plus a portion of what they are setting aside currently for taxes, which they could either add to their capital or could go out and spend, and, in my opinion, no one can successfully deny that that is going to be the effect of this bill if it becomes law.

A taxpayer with an income of \$1,000,000, who accumulated and provided for the payment of the tax on the income, will have \$854,000, less one-quarter paid on the 15th of March, which he can either add to his capital or utilize for spending.

Mr. President, I say that sooner or later the American people will find out exactly what has been done here. They are not going to swallow this "bunk" that it is possible to cancel taxes for persons who have accumulated money with which to pay it, and not have that money released in the hands of the taxpayers to add to their capital or utilize for the purpose of spending.

Mr. WILEY. Mr. President, will my colleague yield?

Mr. LA FOLLETTE. I yield.

Mr. WILEY. I believe I am partially convinced as to the correctness of my colleague's conclusion. However, we must first say that there is a national income of \$135,000,000,000. If the pending bill shall go into effect in July, the impact upon that income will be 20 percent a month, and certainly we have to consider that as a large fraction of the \$135,000,000,000. So that my question is, What proportion of the national income is in the bracket my colleague is now discussing, which would constitute an additional menace toward inflation?

Mr. LA FOLLETTE. Let me see if I can find the figures on my desk.

Mr. WILEY. It has been stated all along that wages and salaries amount to a hundred billion dollars. There would be a deduction of 20 percent of that amount starting in July, and there would be the balance which would be in the other bracket, perhaps part of which is soldiers' pay, I do not know.

Mr. LA FOLLETTE. At the risk of having some one expelled from the floor, I shall ask the gentleman from the Joint Committee on Internal Revenue Taxation if he can tell me where the table is showing the percentages. I could figure that out for my colleague, but I would have to do some adding and subtracting.

So I have asked the expert to do it. He gives me the following figures:

Estimates of the Treasury Department indicate that for the calendar year 1942, 0.20 percent of the total number of taxpayers had net incomes in excess of \$25,000; and that this group accounted for 24.07 percent of the total tax liability for that year. This would amount to \$2,355,600,000.

Mr. President, in my opinion one evil effect of the discussion which has taken place in the country will prove to be the destruction, or partial destruction, of the taxpaying morale of the people. Unfortunately, a large majority of the taxpayers of the United States have gained the impression, because we are in a position to fight over how much of their 1942 tax liability we will abate, cancel, or forgive, that they can fight a war without paying for it.

I am convinced, from reading some of the mail that has come to me, that many taxpayers have a conviction—an erroneous conviction, it is true, but nevertheless it exists—that in some way the Ruml plan will perform some sort of a tax miracle, whereby they will not only have their 1942 tax liability abated, but that they will not suffer any increase in taxes during the remainder of the war, and that they will not even have to make out income-tax returns, because their tax will be collected at the source.

If we do not discharge our responsibility, if we do not now have the courage to be cruel in order to be kind in this matter of taxes, I say that the new tax bill in 1943, which will have to follow the bill we are now considering, will come as a rude shock and awakening to the taxpayers of this country, and it will come after this propaganda has resulted in a reduction in their morale and their willingness to pay taxes.

In my opinion, contrary to what apparently many of my colleagues believe, I think the people will not look with favor upon the Congress which has abated or canceled or forgiven the 1942 tax liability. I think they will turn upon the Congress and say that they have been misled, and that they will protest the effort to levy more taxes upon them.

Mr. President, as I stated at the outset, one day there will be a rude awakening from this mild form of insanity which has seized upon the Congress and the country. One day there will be an understanding as to exactly what has been done by the measure before us. And when that time comes, those who have been responsible for the abatement, cancellation, or forgiveness of the 1942 tax liability, already assessed and partially collected, will have to assume full responsibility for securing the taxes with which to meet the fiscal problem of the Government, for it must be obvious to everyone that although the expedient of canceling the 1942 tax liabilities has no significance so far as reducing the ultimate tax burden of the war is concerned, it is significant as a means of redistributing that burden at the expense of lower and middle income taxpayers.

The measure and the inequity of 100-percent cancellation of the 1942 tax lia-

bility can be illustrated in different ways, in comparison with other alternatives before the Senate.

They can be measured in terms of the taxpayer's income after taxation. Judging 100-percent forgiveness on that basis, it becomes evident that the Ruml plan for 100-percent cancellation of the 1942 tax liability, ignoring for the moment the windfall provisions proposed, would give a person with a net income of \$2,000 a tax cancellation, stated in terms of the amount forgiven as a percentage of income after tax, amounting to 7.5 percent of his income after tax, as compared with a tax forgiveness of 584.9 percent of his income after tax, for a person with a million-dollar income.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table setting forth that comparison.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Net income before personal exemption	Income tax, present law (married person no dependents)	Income after tax	Amount forgiven under—		
			100-percent cancellation	House bill	Connally amendment
\$2,000.....	\$140	\$1,860	\$140	\$140	\$100
\$3,000.....	324	2,676	324	324	192
\$5,000.....	746	4,254	746	651	388
\$10,000.....	2,152	7,848	2,152	1,614	860
\$25,000.....	9,220	15,780	9,220	4,437	2,396
\$100,000.....	64,060	35,940	64,060	18,660	11,357
\$1,000,000.....	854,000	146,000	854,000	189,750	121,126

Net income before personal exemption	Income after tax	Amount forgiven as percent of income after tax under—		
		100 percent cancellation	House bill	Connally amendment
\$2,000.....	\$1,860	Percent 7.5	Percent 7.5	Percent 5.4
\$3,000.....	2,676	12.1	12.1	7.2
\$5,000.....	4,254	17.5	16.2	9.1
\$10,000.....	7,848	27.4	20.6	11.0
\$25,000.....	15,780	58.4	28.1	15.2
\$100,000.....	35,940	178.2	52.0	31.6
\$1,000,000.....	146,000	584.9	130.0	83.0

Source: Treasury Department.

Mr. LA FOLLETTE. Mr. President, in relation to the amount of increased taxes which have been levied against the various brackets to finance the national defense and war programs in 1940, 1941, and 1942, complete cancellation of the 1942 tax liability will have the effect of abating approximately 77 percent of the increases levied against a person with a \$2,000 net income in those years, while abating for a person with a million dollar income three times as much as all the increases levied on his income.

I submit a table showing the comparison in detail, and ask unanimous consent to have it printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Net income before personal exemption	Tax increases under Acts of 1940, 1941, and 1942 for married person, no dependents	Amount forgiven as percent of tax increases under—		
		100 per cent cancellation	House bill	Connally amendment
		Percent	Percent	Percent
\$2,000.....	\$182	76.9	76.9	55.0
\$3,000.....	469	69.1	69.1	40.9
\$5,000.....	991	75.3	69.7	39.2
\$10,000.....	2,740	78.5	58.9	31.4
\$25,000.....	12,460	74.0	35.6	19.2
\$100,000.....	62,833	102.0	29.7	18.1
\$1,000,000.....	267,006	319.8	71.1	45.4

Source: Treasury Department.

Mr. LA FOLLETTE. Mr. President, it is a foregone conclusion that the amount forgiven each of the various income groups cannot, as a practical matter, be recovered from exactly the same groups through increased rates. The rates in the upper brackets cannot be raised substantially, and consequently taxpayers in the middle and lower income groups will have to pay later, in one form or another, not only the full amount now forgiven them, but also a substantial part of the 1942 taxes of the taxpayers in the upper brackets.

The Treasury Department submitted to the Finance Committee a table, which I offer for the RECORD, showing the rate increases necessary to recoup from taxpayers in the various income brackets the amounts canceled under the Ruml plan, the House version, and the amendment proposed by the Senator from Texas. The table shows that in order to recoup the total cancellation of the 1942 tax on a million-dollar income, it would be necessary to increase the effective rate, from present rate of 89.9 percent, by an additional 28.5 percent. Obviously, it is impossible to impose such a rate. I ask unanimous consent that the table be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Net income before personal exemption	Effective rates of income and net Victory tax liability present law	Effective tax rate increase necessary to recoup canceled taxes at same income levels over a 3-year period		
		100 per cent cancellation	House bill	Connally amendment
		Percent	Percent	Percent
\$2,000.....	9.4	2.3	2.3	1.7
\$3,000.....	13.5	3.6	3.6	2.1
\$5,000.....	17.9	5.0	4.6	2.6
\$10,000.....	24.7	7.2	5.4	2.9
\$25,000.....	68.6	21.4	6.2	3.8
\$1,000,000.....	89.9	28.5	6.3	4.0

Source: Treasury Department.

Mr. LA FOLLETTE. Mr. President, I ask unanimous consent to have printed in the RECORD at this point the other two tables from the minority or individual view report which I filed from the Committee on Finance.

The PRESIDING OFFICER (Mr. McCLELLAN in the chair). Is there objection?

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

From the following table, showing the effective tax rates on individual incomes, it is clear that the greatest increases in rates must necessarily fall upon taxpayers with net incomes between \$1,500 and \$25,000.

Married person—no dependents

Net income before personal exemption ¹	Effective rates of present law
	Percent
\$1,200.....	3.2
\$1,500.....	5.7
\$1,800.....	7.0
\$2,000.....	9.3
\$3,000.....	10.8
\$4,000.....	13.3
\$5,000.....	14.9
\$6,000.....	16.5
\$8,000.....	19.2
\$10,000.....	21.5
\$15,000.....	27.0
\$20,000.....	32.3
\$25,000.....	36.9
\$50,000.....	50.7
\$100,000.....	64.1
\$500,000.....	82.8
\$1,000,000.....	85.4
\$5,000,000.....	87.5

¹ Maximum earned net income assumed.

Source: Treasury Department, Division of Tax Research.

In the case of consumption taxes the following table shows how the income groups under \$10,000 per year and particularly those under \$2,000 would be most seriously burdened because of the larger percentages of their incomes that go to consumption.

TABLE A.—Families: Average outlay for personal taxes, consumption, gifts, and savings, by money income level, 1942 ¹

Income level	Percentage of income for—			
	Personal taxes ²	Consumption ³	Gifts to organizations ⁴	Savings ⁵
Under \$500.....	0.6	133.4	1.5	-35.5
\$500 to \$1,000.....	.3	104.4	.8	-5.5
\$1,000 to \$1,500.....	.2	97.8	.6	1.4
\$1,500 to \$2,000.....	.2	88.2	.7	10.9
\$2,000 to \$2,500.....	.2	83.6	.9	15.3
\$2,500 to \$3,000.....	.4	79.7	.9	19.0
\$3,000 to \$4,000.....	.8	75.2	1.1	22.9
\$4,000 to \$5,000.....	1.8	70.7	1.2	26.3
\$5,000 to \$7,500.....	2.7	63.2	1.3	32.8
\$7,500 to \$10,000.....	3.4	55.0	1.5	40.1
\$10,000 and over.....	18.3	33.4	.7	47.6
All levels.....	4.0	70.5	1.0	24.5

¹ Estimates cover all civilian consumers except those living in institutions. Families are defined as economic units of 2 or more persons sharing a common or pooled income and living under a common roof. Single consumers are defined as men or women maintaining independent living quarters or living as lodgers or servants in private homes, rooming houses, or hotels. The term "spending unit" is used to cover both groups. Estimates are on a calendar-year basis. The form of average used is the arithmetic mean.

² Personal taxes shown here include only individual income taxes, poll taxes, and certain minor personal-property taxes. It should be noted that sales taxes, excise taxes, and all indirect taxes on consumption are included under expenditures for goods and services.

³ Consumption consists of money expenditures only.

⁴ Gifts consist only of money contributions to the church, the Red Cross, and other institutions and funds.

⁵ Savings are defined as the net change in assets and liabilities of the spending unit during the year, exclusive of gains or losses from revaluation of assets.

Source: Office of Price Administration, Division of Research, Mar. 1, 1943.

Mr. LA FOLLETTE. Mr. President, I suppose that the votes have been gathered in to pass this bill. If that is true I regret it. I think the bill, if passed, will have a very adverse effect upon the economy of this Nation as we face the harrowing years of war ahead of us. I fear that it will have a weakening effect upon

the fiscal strength and ability of the Nation not only to meet the impact and the drain of war, but to meet perchance the greater strain of the problems of reconstruction and the peace when it comes. I only regret that there has not been a more concerted effort made to save the country from this tragic mistake.

Mr. McFARLAND. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Ferguson	Nye
Austin	George	O'Daniel
Bailey	Gerry	Overton
Ball	Gillette	Radcliffe
Bankhead	Green	Reed
Barbour	Guffey	Revercomb
Billbo	Gurney	Reynolds
Bone	Hatch	Robertson
Brewster	Hawkes	Russell
Bridges	Hayden	Scruggs
Brooks	Hill	Shipstead
Buck	Holman	Stewart
Burton	Johnson, Colo.	Taft
Bushfield	Kilgore	Thomas, Idaho
Butler	La Follette	Thomas, Okla.
Byrd	Langer	Thomas, Utah
Capper	Lodge	Tobey
Caraway	Lucas	Tunnell
Chandler	McClellan	Tydings
Chavez	McFarland	Vandenberg
Clark, Idaho	McNary	Van Nuys
Clark, Mo.	Maloney	Wagner
Connally	Maybank	Walsh
Danaher	Mead	Wheeler
Davis	Millikin	Wherry
Downey	Moore	White
Eastland	Murdoch	Wiley
Ellender	Murray	Wilson

The PRESIDING OFFICER. Eighty-four Senators having answered to their names, a quorum is present.

Mr. GEORGE. A parliamentary inquiry. What is the pending question?

The PRESIDING OFFICER. The question recurs on agreeing to the substitute amendment proposed by the Senator from Texas [Mr. CONNALLY] for the committee amendment, as amended.

Mr. CONNALLY. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CONNALLY. My amendment being a substitute for the entire committee amendment, as amended, it would give way to perfecting amendments, as I understand?

The PRESIDING OFFICER. Yes; perfecting amendments have precedence over the Senator's substitute amendment.

Mr. GEORGE. Mr. President, I submit a clerical amendment to the committee amendment, as amended.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 103, line 9, before "1943", it is proposed to insert "the taxable year."

The PRESIDING OFFICER. Without objection, the amendment to the committee amendment, as amended, is agreed to.

Mr. GEORGE. I send forward another amendment the purpose of which is to correct an error.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 98, it is proposed to strike out lines 13 and 14 and to insert "is in active service in the military or naval forces of the United

States at any time during the taxable year 1942 or 1943, the."

Mr. GEORGE. Mr. President, permit me to make a statement with respect to that amendment so as to make the RECORD clear. The language in the lines proposed to be stricken is "enters upon active service in the military or naval forces of the United States during the taxable years 1942 or 1943, the." The amendment simply is for the benefit of members of the armed forces in active service in the military and naval forces in 1942 or 1943.

The PRESIDING OFFICER. Without objection, the amendment to the committee amendment, as amended, is agreed to.

Mr. O'DANIEL. Mr. President, I offer an amendment to the committee amendment as amended. The amendment has been printed and lies on the desks of Senators.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 85, line 13, after "calendar year", it is proposed to insert "to the extent not credited against the tax for a taxable year beginning in the preceding calendar year as herein-after provided", and following the amendment heretofore adopted to the committee amendment in such line to insert:

The amount so withheld and collected during any calendar year shall also be allowed as a credit to the recipient of the income against the tax imposed by this chapter for any taxable year beginning in the preceding calendar year as follows:

(a) If the tax so imposed is paid otherwise than by installments, such recipient may credit against such tax the amount which he estimates as the amount withheld and collected during the first quarter of such calendar year.

(b) If the tax so imposed is paid in installments, such recipient may credit against each installment the amount which he estimates as the amount withheld and collected for the quarter of such calendar year during which such installment is paid, and for preceding quarters to the extent not credited against any preceding installment.

(c) If the aggregate of the amount so estimated as withheld and collected during such calendar year and allowed as a credit under subsection (a) or (b) exceeds the amount actually withheld and collected during such calendar year, such excess shall, in lieu of the time prescribed in section 56, be paid on or before March 15 of the succeeding calendar year.

On page 86, strike out lines 3 to 9, inclusive, and beginning in line 24, strike out down to and including the period in line 4 on page 87.

On page 88, after line 16, strike out all down to and including the period in line 14 on page 104.

On page 104, line 15, strike out "7" and insert "5."

On page 105, line 8, strike out "8" and insert "6."

On page 106, strike out lines 3 to 5, inclusive, and beginning with the semicolon in line 21, strike out down to and including the word "service" in line 15 on page 107.

On page 107, line 22, strike out "9" and insert "7."

On page 108, line 10, strike out "10" and insert "8."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Texas [Mr. O'DANIEL] to the committee amendment, as amended.

Mr. O'DANIEL. Mr. President, I do not intend to detain the Senate long in speaking for the amendment, because I think the subject has been fully debated during the course of the week. Possibly each Member of the Senate has come to a conclusion as to the position he intends to take on the pending measure.

There seems to be one question to decide—namely, the question whether we are to forgive, or abate, or cancel accrued taxes for some of our citizens.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. O'DANIEL. I yield.

Mr. LANGER. I hope the Senator will take considerable time to explain his amendment, because I do not quite understand it. I think it is the best amendment offered thus far, and I hope the Senator will take sufficient time to explain it thoroughly.

Mr. O'DANIEL. I thank the Senator. I shall take all the time I think it necessary to take. If I fail to explain the amendment fully, I shall be glad to answer any questions which the Senator from North Dakota or other Senators may ask at the conclusion of my remarks.

Mr. President, the amendment I offer is so simple and so fair that I think it will not require much explanation. My amendment is intended to leave the whole income-tax system in practically the same position as that which it now occupies and has occupied for a period of 30 years.

To me, the proposition before us is a very simple and elementary one. However, from the debate which has occurred, it seems that there is much confusion, and that the gentle breeze has been fanned into a hurricane. The proposal I have made has had the endorsement of the majority of the Members of the Congress during the past 30 years; the majority of the Members of Congress have approved the plan I have proposed; because I have proposed the plan which has been in effect for the past 30 years and is in effect at the present time. My amendment would allow the income-tax system to remain in status quo. The only change my amendment would make would be to set up a collection system covering income tax on wages and salaries.

There is no doubt in my mind that the taxes which have accrued for the year 1942 constitute a just and honest debt from the individual taxpayers to the Government of the United States; and any abatement or forgiveness of those taxes simply would add to the capital of the taxpayers whose 1942 taxes were abated in any degree, either in whole or in part.

On the theory that the accrued taxes constitute a just debt, and under the conditions which exist at the present time, when our country is engaged in a great war, and is in need of funds more than ever before in our history, I think

that now is a bad time to forgive any debt due the United States.

Mr. President, as I listened to the debate I recalled the statement made on the floor of the Senate by the Senator from Georgia [Mr. GEORGE], chairman of the Committee on Finance, who is in charge of the bill, upon whose judgment I rely greatly, and for whom I have the utmost respect and confidence. He stated that whether taxes are remitted, canceled, or abated makes no difference so far as the Government is concerned, because the Government has the power to tax; and, therefore, if taxes are forgiven now, and if later more money is needed, the tax rate may later be increased. Even admitting that that may be true, the point I wish to make is that different individuals will be called upon to make up for the taxes that are abated. Individual citizens who have profited during 1942 or 1943 will have their taxes forgiven; and to the extent that their taxes are forgiven, the amounts forgiven will become capital for them. If, later, the Government decides that was a mistake, and concludes that it must raise more money and must increase taxes, possibly the tax burden will fall upon some other individuals. Some of it may fall upon the same individuals, but not to the same extent as it would have fallen; and in that way, the procedure will constitute an inequity.

We all know that at this particular time, when we are discussing the cancellation or abatement of income taxes, our Treasury Department is reminding us that we must find new taxes, that by taxation we must bring an additional \$16,000,000,000 into the Treasury. While we are being reminded of that, we are considering the abatement or cancellation of taxes, which seems to me to be a very strange procedure. I, for one, am not in favor of the abatement or cancellation—whatever term may be used—of 100 percent of 1942 or 1943 taxes or of any other percentage of the taxes. I think they are due. I know that at the time when the taxpayers were making the profits, they were under the impression that a certain percentage of the profits belonged to the Government. I know that corporations which kept books considered a portion of the profits they made to be an honest debt to the Government—so much so, that each month they set up the amounts on their books as a liability, and considered them as liabilities, the same as their outstanding bonds or notes payable or accounts payable. I know that individuals who kept books made the same entries; and I know that other individuals who do not keep books consider that, as to all the profits they make, they are in partnership with their Government, and at the time when they are doing business they determine what percentage of their profits will possibly go to the Government. When large trades are made on oil wells or on land, and when other trades are made, before the trade is consummated each party to the trade wants to know exactly what amount will be due the Government. Those who have made such trades in 1942 or in 1943 to date have followed that

plan. They know that that tax due the Government is a liability, and that if it is canceled or abated it will become a capital asset for them individually.

Most of the argument which has been put forth has been to the effect that everyone is anxious to get on a current basis. Anyone who wants to get on a current basis has had the opportunity to become current any day since 1913. He can take his money down to the Treasury Department and become current.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. O'DANIEL. I yield.

Mr. CLARK of Missouri. The Senator certainly must agree that it is as much to the interest of the United States Government as it is to the interest of any individual to have taxpayers current with their income. For a liability with which, under the present system, the Government would never catch up until judgment day, it is proposed to substitute actual cash in the till. Furthermore, the Government cannot set up any sort of scientific tax system based upon scientific rates without having the people current in their taxes, so that the Government can take the money as it comes in. Let me ask my friend the Senator from Texas whether it is not as much to the interest of the Government as it is to the interest of the individual taxpayer himself to have taxpayers current with their taxes.

Mr. O'DANIEL. My answer to that is that I do not believe the Government is interested in whether the money it receives for taxes is current money or money which has been lying in the till of the individual for the past 2 or 3 years. The Government is interested in getting the money which is due it as its share of the profits made by the individual.

Mr. CLARK of Missouri. If the Senator will permit me one further question, is not the Government interested in the amount of money it gets into the Treasury this year?

Mr. O'DANIEL. It is.

Mr. CLARK of Missouri. And next year?

Mr. O'DANIEL. And following years.

Mr. CLARK of Missouri. That is certainly true.

Mr. BONE. Mr. President—

Mr. CLARK of Missouri. If the Senator will permit me to finish my question, the Government is certainly interested in whether or not the money which is earned by income taxpayers in this year is paid this year, or whether a certain amount of it is lost by reason of the fact that taxpayers who are liable this year under a pay-as-you-go plan will not have the money at hand and will not be able to pay next year. There will be no way to collect it from them next year. Is not that correct?

Mr. O'DANIEL. I hardly believe that is correct. At least, that is not my impression.

Mr. CLARK of Missouri. If the Senator differs with that statement, I have no argument with him, because it represents an essential disagreement on the whole theory of taxation. If the Senator believes that it makes no difference

to the Government whether it collects the money which should be collected, and which is earned this year, or whether it loses a part of it next year because the taxpayers who have earned it this year will have already spent it and will suffer a falling off in their income and will not be able to pay it, then there is such an essential difference in general principle between the Senator and myself that there is no use in arguing the question.

Mr. O'DANIEL. The statement I made was that so far as the collection and payment of income taxes are concerned, I do not believe it makes any difference to the Government whether such taxes are paid from money which was earned in May 1943 or January 1942, or money which the taxpayer borrows from the bank. The Government is interested in getting the money which is due it as its share of the partnership arrangement for 1942.

Mr. CLARK of Missouri. Mr. President, I do not wish to trespass on the time and patience of my friend from Texas, but if he will permit me to ask one further question I will not interrupt him further.

Mr. O'DANIEL. I gladly yield.

Mr. CLARK of Missouri. Of course, the Senator knows that under the present tax laws there are a great many taxpayers who never previously paid taxes. They are liable under the 1943 tax laws. They have not been in the habit of accumulating money, as most taxpayers are not. I should say that 99.99 percent of taxpayers have not been in the habit of accumulating money to pay their taxes. As to those persons who have not been in the habit of paying taxes and who may make less next year and may not be able to pay their taxes, does the Senator say that the Government is not concerned with the question whether they pay taxes out of income as it is earned or fail to pay their taxes next year out of income not earned?

Mr. O'DANIEL. I would not make the statement that the Government is not interested in the failure of anyone to pay his taxes; but I do say that the Government is not concerned about the source of the money which the taxpayer uses to discharge his tax debt.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. O'DANIEL. I yield.

Mr. MURDOCK. Is not the answer to the Senator from Missouri that under the Senator's amendment he proposes to do exactly the same thing as is proposed by the substitute offered by the Senator from Georgia [Mr. GEORGE], or the bill which comes over from the House, or the substitute of the Senator from Texas [Mr. CONNALLY]? Under the amendment of the Senator from Texas [Mr. O'DANIEL], we would begin the withholding tax at the same date.

In my opinion, what the Treasury of the United States is interested in, is having money flowing into the Treasury. It would flow in just as currently, just as rapidly, and in the same volume under the Senator's amendment as it would under any other bill or amendment which is being considered by the Senate

today. Does it make any difference to the Treasury of the United States whether the Treasury credits the 20-percent withholding tax which it receives on the 1942 or 1943 tax of the taxpayer? It makes no difference to the Treasury, does it?

Mr. O'DANIEL. That is exactly correct.

Mr. MURDOCK. On the other hand, in order to become current, as some Senators are advocating, they propose to cancel debts to the Treasury in the amount of \$9,000,000,000 in order to credit it on the 1943 tax instead of on the 1942 tax. Have I correctly stated the Senator's amendment?

Mr. O'DANIEL. The Senator from Utah is eminently correct. My amendment would leave the tax situation in status quo, except that it would set up a tax collection system on salaries and wages, the tax to be deducted at the source. Those deductions would be forwarded to the United States Treasury, where they would be credited to the individual taxpayer's taxes which were then due, and which had accrued during the previous year.

It is simply a collection system. At the end of 1943, if the amounts deducted, plus other amounts sent in under the quarterly payments, should exceed the amount of the 1942 tax of the individual, the excess would be refunded by the Treasury Department. If those amounts should not pay in full the amount due, the taxpayer would be responsible for the balance due.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. O'DANIEL. I yield.

Mr. TYDINGS. As I understand the amendment offered by the Senator from Texas, the Government would receive more money under his amendment than it would receive under the pending bill, as amended, for this reason: We all know that during wartime the income of the Nation is probably the greatest in its history. It is estimated, for example, that about \$130,000,000,000 a year will be the income of all the people during the war period. Let us suppose that 4 years from now the war is over. As soon as the war is over the demand for munitions, shells, tanks, and other things of like character will cease, and when it ceases employment will drop, and consequently the Nation's income will decline. So, looking at a 10-year period from 1942 to 1952, and assuming that the war ends in 1946, under the Senator's proposal the Government would collect income on 1942, 1943, 1944, and 1945 before the war ended, and then for 5 years after the war ended. However, under the committee amendment the Government would collect income taxes only for 1943, 1944, and 1945. Thus it would collect no taxes for a year during which the income of the people was tremendously high, and substitute for it a year in the future when the income would be low. The net consequence would be, if the Ruml plan, unadulterated, should be adopted, that one whole high-income year would be completely eliminated, and in its place would be a low-income year, on the basis of which taxes would be

levied. The Senator, therefore, in order not to lose that high-income year, would provide that taxes shall be collected currently so that no one may evade them without losing the potential income of the Government from the existing set-up which would be lost if we should wipe out a whole year's liability.

Mr. O'DANIEL. The Senator from Maryland is absolutely correct and has made the situation very plain, indeed. If the Ruml plan were adopted, there would simply be a gap in our income-tax system of 1 year, either 1942 or 1943, which would be forgiven, abated, canceled, and the Government would never receive an income for that year. But on a lower-income year, at the end of the war, the Government would receive less money and would therefore be short the difference.

Mr. TYDINGS. Will the Senator further yield?

Mr. O'DANIEL. I yield.

Mr. TYDINGS. If the Ruml plan were offered to the Senate, say, 5 years after the war was over, when we had gone through a depression and were on the upgrade, when income was increasing, say, in 1950 or 1951 or 1952, for illustration, and then we should adopt the Ruml plan, the Government would lose nothing for the reason it would be substituting a current year for the past year, the current year's income being higher than that of the preceding year. When the transition is made is all-important. However, to make it when income is high and when a poorer year is coming would be to give away a tax on a large yield for a tax on a small yield.

Mr. O'DANIEL. From a business standpoint the Senator's contention is absolutely correct.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. O'DANIEL. I yield.

Mr. MAYBANK. In addition to what the distinguished Senator from Maryland has said, is it not also likely to be true that over a period of years new taxpayers will take the place of some whose taxes it is now proposed to forgive, and will they not be obliged to assume the tax burden that is now proposed to be lifted or forgiven?

Mr. O'DANIEL. That is correct, and therein lies the great inequity and injustice which will be perpetrated if the Ruml-Carlson plan shall be adopted.

Mr. MAYBANK. Over a period of years many of the taxpayers whose tax it is now proposed to forgive will have died, and many of those who will take their places, who will be substituted as taxpayers for them, are men in the service who are now fighting on foreign soil and offering their lives for their country.

Mr. O'DANIEL. That is correct. Present taxpayers will be replaced by other taxpayers completely in years to come, or gradually as the years go by.

Mr. BONE. Mr. President, will the Senator yield?

Mr. O'DANIEL. I yield.

Mr. BONE. It seems to me that in all this argument we have laid very little stress on one vital aspect which I think is quite important in these trying times. It is the cold hard relationship of the

taxpayer to his Government. I am now referring to the ethical and emotional side of the picture.

Whatever one may think of the tax abatement proposals submitted here, they simply mean that in the liability of a taxpayer, he will save for himself one full year's taxes which he may add to his capital. He has abated to that extent the financial burden which the Government has to lay upon all of us in the most trying moment in all American history. Libations of blood are being poured out which stagger the conscience of the world. While we face this grim tragedy, some lucky fellow will be given, perhaps \$1,000,000 to put into his aggregate capital. The Government will never take this money from him. There is no arguing ourselves out of that. That is the ethical and emotional side of the tax picture which in due time will be most deeply impressed upon the consciousness of America. Under the Ruml proposal, one of these lucky taxpayers could and would keep that \$1,000,000.

It would be staggering, weird, bizarre, and utterly stupid for one to rise in this Chamber and say we could abate one tiny segment of the agony of the battlefield. We can only abate taxes.

Mr. President, we are spending our time talking about abating taxes for some fellow who may thereby add from a thousand to a million dollars to his capital amidst the blood and travail of the battlefield. Returning to us are insane boys and those who will be wrecked physically for the remainder of their lives.

A short time ago I saw three letters from mothers and these letters were wet with the tears of these mothers. Their boys, who had returned to them from the eastern battlefield, were insane. Never again will these brave lads know the joy of living. The sunshine and the flowers have disappeared. They died to protect America, including the property of the taxpayers we so tenderly protect in this somber hour.

Here we stand figuring out how we can rebate enormous tax levies, which will be added to the capital of the fortunate taxpayer. One tax year is lifted out of his life, at a time when issues face the Nation which may ultimately destroy its institutions. I say the Senate of the United States should not spend its time listening to talk about how much some fellows can make out of the war when sons of the Republic are dying in battle. Possibly 3,000,000 of them may die before the war shall have been concluded. The rest will come home and read these long debates concerning methods which will give some fellow more dollars to add to his happiness and his capital. For one, I do not believe that we dare aid in a program that will translate widows' sighs and orphans' tears into more dollars for any man.

Mr. President, if we walk away from the ethical and moral implications of this tax problem we shall have occasion to regret it. We should not lay aside such considerations now any more than we should have laid aside similar issues confronting the Republic when its sons were turning back dissolution of the Union on

the flame-crested hills of Gettysburg in front of the soldiers of Lee and Longstreet. That is all it means. Members may flounder around in this tank of argument until they develop dorsal fins and caudal appendages, but they will never change the picture.

Fathers and mothers who are seeing their boys shot to death on the battlefield to save our financial and economic system will not listen with much tolerance to discussions of the Ruml plan or any other plan which will permit any man to add a million dollars to his capital and justify it on the fantastic theory that it will be to the best interests of the country to do so. That is what this thing means. Nothing else. It cannot be translated into anything else.

This Chamber has rung with the oratory of men who proclaimed to the people of America that we must get money out of the hands of the people who are earning it, in order to prevent a disastrous inflation. It is argued that taxation of stored up purchasing power is necessary to resist inflationary tendencies, yet we are now assured that the proposal to allow some fellow to keep an extra million dollars of profit and add it to his income, if he earned that much, will help to do that. By abating that tax he would therefore have a million dollars more of purchasing power to threaten the whole commodity price structure of this country. That is either true, or else the inflation arguments advanced here rest on utterly fallacious assumptions.

I am sorry I have taken the Senator's time, but if I, as a Senator, could abate any of the blood and tears and agony of the boys dying on the battlefields, if I could abate one little bit of the horror facing young men marching away under the American flag into this world of conflict, I would abate that horror coming to them, rather than abate a year's taxes for us who stay at home. I wish I could vote to abate blindness and insanity and vote away the blasting of boys' lives by shells on the battle fronts. But we cannot do that. All we can do is to abate the tax on some fellow's income. The whole thing presents a grotesque twist of logic. It is a sort of madness.

Mr. O'DANIEL. Mr. President, I think it is very timely that the able Senator from Washington has made such an eloquent speech in support of my amendment, and should there be anyone within the sound of my voice interested in this subject from a political standpoint, may I remind him that the type of speech to which we have just listened by the Senator from Washington may be the type of speech which will be heard throughout the campaign of 1944, and those who make such speeches will be able to name the individuals who have profited by the Ruml-Carlson amendment, if such an unfortunate thing should occur as the passage of the amendment. Each one interested may consider the political consequences of the enactment of such an outrageous proposal as the Ruml-Carlson plan.

Mr. MURDOCK. Mr. President, will the Senator yield to me once more?

Mr. O'DANIEL. I shall be glad to yield to the Senator from Utah.

Mr. MURDOCK. It was suggested to me during the lunch hour that some of the men who some persons seem to fear might not pay their taxes and whom the 20-percent withholding tax is necessary in order to catch are making high wages in 1943 and will continue to make high wages in 1944 and probably in 1945; but in 1946, or after the war is over, their income may drop very materially. The question was asked me, What will be the situation of such an individual at that time? What is the Senator's answer to that? In other words, if that happens, the individuals who are caught in that kind of circumstances will be called upon to pay income taxes on a high income when they have dropped back to a lower income. I think there is an answer to that question, and I believe the Senator has it.

Mr. O'DANIEL. I thank the Senator for propounding that question. In reply, let me say that, of course, all who are accustomed to paying income taxes, and have been accustomed to paying them for years, realize that as they make profits or earnings, a certain proportion of such profits and earnings belong to the Government, and, in reality, they become custodians of Government funds, but have the free use of such funds from the time the profit or earnings accrued until tax pay day to the Government. Therefore citizens in that category incur the liability and retain the money which is due the Government so that they may be able to pay on pay day. Others, who are new to the game of paying income taxes, will sooner or later come to a realization that the payment of income taxes is very difficult to evade, and they will likewise follow the course of those who have set up reserves.

To answer the specific question, in case they should not do that, and in the event we should come to the time when incomes decrease, the taxpayer who in a lean year discovers and suddenly comes to the sad realization that he owes a larger tax for the preceding year than he is able to meet will, no doubt, be in a very bad predicament. It is, however, exactly that kind of individual who should have tax-forgiveness consideration of the Congress and the Government. Then will be the time when the tax debt should be forgiven. It should not be forgiven now to many people who have plenty of money with which to pay. We should wait until the time comes, when the individual finds himself destitute or insolvent before we consider canceling income-tax debts due the Government. Our system takes care of that; if he is unable to pay, he cannot pay, and the debt will then have to be forgiven. That is the only time when any debt to our Government should be forgiven.

Mr. President, it is said that the Ruml-Carlson plan is designed to make tax payments easier for the taxpayer, but some of the proposals I have heard suggested here make it harder for the taxpayer in that they increase his current payments. One of the proposals is that 75 percent of the 1942 tax shall be canceled and the remaining 25 percent divided, and 12½

percent of it paid with 100 percent of the 1944 tax, thus making 112½ percent which must be paid by each individual taxpayer in 1944 who had an income in 1942 and in 1944, and the same thing provided for the year 1945.

Other proposals have been made whereby the 1942 tax will be divided up and paid over a period of 5 years, which increases the percentage of payment to more than 100 percent during the time the old debt is being paid. Therefore, it is an imposition on the taxpayer.

I think our Nation discovered long ago and adopted as a sensible plan the system of installment payments. Many persons would not have had the opportunity of buying automobiles and electric refrigerators and other articles from commercial organizations had credit not been extended to them so that they might pay in the future on the installment plan and not pay as they go. Our Government is extending installment payments on income taxes to all its citizens over a period of 11½ months after the 12 months' period in which the tax debt accrued and is extending them without interest. Nothing it seems to me could be more fair. Many people use the amount of income tax due their Government as capital without paying interest. So far as the taxpayer is concerned, that certainly is fair. While our rates on income taxes may be objectionable to some persons and while there may be some inconsistencies and some inequities, yet I think we must all admit that, on the whole, throughout the years, our present income tax system has been equitable and fair. I see, therefore, no reason to make any change whatever. The only reason thus far advanced which to me has any sound basis is the desirability of taking care of the collection of income taxes from wage earners and salary earners who have not heretofore been accustomed to paying such taxes and possibly are under the impression that it is a debt they can evade. Therefore, as they get their money, either because it is all needed in order to pay their current expenses or because they like to spend it for some other purpose, they spend their money as fast as they get it. If it is not retained at the source, they may not have the money in the following year with which to pay their accrued taxes. Therefore, my amendment simply sets up a collection agency on every pay day and makes all salaries and all wages before they are paid to the individuals subject to a deduction of 20 percent.

The 20-percent deduction is not an additional tax; the 20-percent reduction is simply a remittance which is sent to the United States Treasury, and is a guaranty that the individual will pay his income tax. It also serves as a benefit to the taxpayer who might not be acquainted with the fact that income taxes must be paid. When the money thus collected is sent to the Treasury there it is credited to the accrued income tax due by the individual according to the tax return which he should have sent in on or before March 15 of that year. An adjustment will be made at the end of the period for taxes due for the previous year by making a refund to the taxpayer

for overpayment or the collection of balance due. He has not had to pay twice; it has not been a doubling-up system; nobody has been relieved of his accrued tax liability, and the Government gets all the money that is due it. It is simply a fair, equitable tax, and, as I have already said, this system, with the exception of the withholding feature, has been approved by the majority of Members of both Houses of Congress since 1913. Now, in a time of fever and excitement, it seems to me it is inopportune to upset anything so substantial and fair and equitable as the system which is now in effect.

Mr. McCLELLAN. Mr. President—

Mr. O'DANIEL. I yield to the Senator from Arkansas.

Mr. McCLELLAN. As I understand the Senator's amendment, by providing for a withholding tax of 20 percent, beginning on July 1, the Treasury will begin receiving the same money; it would receive under the committee bill or the Ruml plan. Is that not correct?

Mr. O'DANIEL. It is absolutely correct.

Mr. McCLELLAN. There will be no difference in the receipts of the Treasury?

Mr. O'DANIEL. Absolutely none.

Mr. McCLELLAN. Then, what the Senator's proposal would do would simply be put the taxpayer on a pay-as-you-go basis insofar as beginning on July 1, just as the committee bill would do, but it would not permit any abatement or cancellation of liability now due by taxpayers.

Mr. O'DANIEL. That is absolutely correct. In other words, my amendment would prevent the Government from remitting or canceling about \$9,000,000,000 of tax debts to certain individuals, who are not likely to be the same individuals who may be called upon later, in case of tax increases, to pay the money back to the Government.

Mr. McCLELLAN. I think the amendment the Senator has offered absolutely forces the issue, and draws the distinction, whereby we can actually put the taxpayer on a pay-as-you-go basis, if that is what we are really trying to do, and we can do that without having to do what is being proposed in the committee bill, forgive a large percentage of taxes and tax liability to the Government, in order to get on a pay-as-you-go basis. Therefore I intend to support the Senator's amendment.

Mr. O'DANIEL. I thank the Senator from Arkansas, and I wish to say that his statement is absolutely correct. Everyone knows that if the Ruml-Carlson bill should be agreed to, and if the accrued tax liability should be canceled, the amount of money involved must be raised by some other form of taxation, by increase of income taxes or through some other process. I am firmly convinced that the additional money to be collected when the taxes are increased will come from an almost entirely different set of individuals from those who will profit by the cancellation or abatement of their accrued income-tax liability for 1942 or 1943.

I am satisfied that some of the large corporations which were strongly in favor of the Ruml-Carlson plan at one time are awakening to the realization, if there shall be forgiveness of the taxes to those to whom they will be forgiven by the enactment of the Ruml-Carlson bill, corporation taxes will of necessity have to be increased in order to make up the money that will be given away, or abated, or canceled by the Government.

I understand that at the present time there are millions of people who possibly have not yet gotten on the income tax rolls, but if we keep going in the direction in which we are now headed, before we get through every citizen who earns any money will be contributing to the income tax fund, and they will realize all too late that the enactment of the Ruml-Carlson plan will cause increased tax burdens to fall upon their shoulders, and, as stated by the Senator from South Carolina, upon the shoulders of the boys who are fighting overseas to preserve the profit system, which we might be tearing down if the proposed Ruml plan should be enacted.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. O'DANIEL. I am glad to yield.

Mr. WILEY. As I understand the Senator's plan, it is that the present law shall remain inviolate, and that, commencing July 1, 20 percent of all salaries and wages shall be deducted at the source.

Mr. O'DANIEL. That is correct.

Mr. WILEY. If that be so, the tax that is collected this year pays the 1942 tax, and the balance is arrived at in January or March 1944?

Mr. O'DANIEL. In March 1943. It pays the 1942 tax as determined March 15, 1943. It applies on the accrued tax.

Mr. WILEY. Then we could not use the word "current."

Mr. O'DANIEL. It depends on what we are talking about. If we are talking about current payments, we could use the word "current."

Mr. WILEY. I am not saying this facetiously; I mean that the taxpayer is always 1 year behind in the final settlement.

Mr. O'DANIEL. He is always paying in the current year for the tax which accrued during the preceding year.

Mr. WILEY. Yes.

Mr. O'DANIEL. The same as in the case of an ad valorem tax on real estate and personal property.

Mr. WILEY. The condition remains just as it is now, then?

Mr. O'DANIEL. Yes.

Mr. WILEY. Except that there is to be collection at the source of wages and salaries, and the final settlement is to be made in the March following:

Mr. O'DANIEL. In December of each year.

Mr. OVERTON. Mr. President—

The PRESIDING OFFICER (Mr. McFARLAND in the chair). Does the Senator from Texas yield to the Senator from Louisiana?

Mr. O'DANIEL. I gladly yield.

Mr. OVERTON. As I understand, every proposal which has been made, with the exception of the bill reported by the committee, contemplates a dou-

ble payment in 1 year in whole or in part, and to that extent is a hardship.

Mr. O'DANIEL. That is as I understand it.

Mr. OVERTON. In order to avoid a double payment in whole or in part, the committee has suggested in its bill that there be an abatement of 1 year's taxes, which, insofar as the individual is concerned, applies to either the 1943 or the 1942 tax. What the Senator's amendment proposes is that there be no abatement of taxes whosever, that there be no double payment in any 1 year, and the theory which everyone appears to be agreed upon, that there should be a withholding tax, is embodied in the amendment proposed by the Senator.

Mr. O'DANIEL. That is correct.

Mr. OVERTON. It carries with it the unobjectionable feature of every amendment, and does away with the objectionable phases of all of them. Is not that correct?

Mr. O'DANIEL. The Senator is absolutely correct.

Mr. GILLETTE. Mr. President, will the Senator yield?

Mr. O'DANIEL. I yield.

Mr. GILLETTE. I wish to ask the Senator a question on a personal basis. I have paid my 1942 taxes in full. Under the Senator's proposal, how would the withholding tax which he has in mind be applied with reference to me?

Mr. O'DANIEL. In the first place, I wish to congratulate the Senator for being in the class of people who are able to pay in full. If my amendment shall be adopted, deductions beginning July 1 will be made from the Senator's salary on the basis of 20 percent, those deductions will be sent to the United States Treasury, and will be credited to the Senator's account of his taxes for 1942, and at the end of 1943 the Treasury will reimburse the Senator for any overpayment, which, of course, in this case would amount to the deductions which are made from his salary from July 1 until December 31, 1943.

Mr. GILLETTE. These deductions would go to reimburse me for what I have paid on the 1942 tax?

Mr. O'DANIEL. Yes, the Senator would be reimbursed for the full amount of the overpayment.

Mr. DOWNEY. But that apparent difficulty, Mr. President, would be true only in the first 6 months' period. I mean, if the distinguished Senator continued to have his taxes deducted the following year, then the following year he would not have any rebate, the deductions would then be applied to taxes in the next year.

Mr. O'DANIEL. Yes; without doubt, if the amendment shall be agreed to and the bill become law, then the installment payments of those drawing salaries and wages may cease. The deductions will apply, although both the installments and the deductions could continue, if there were no objection on the part of the taxpayer, and in that event the result would be that at the end of the year a refund of the overpayment would be made.

Mr. BONE. Mr. President, I think some of us are assuming something which does not exist. If the Senator from Iowa

[Mr. GILLETTE] has paid his taxes on March 15 of this year, for the tax which accrued for the year 1942, he has discharged the tax for 1942, and has acquitted himself with his Government. Beginning July 1 of this year the deductions are made from the salary check of the Senator from Iowa. They would be applied on the taxes which would accrue during the year 1943. That is my assumption, since the proposal of the Senator from Texas does not abate any year's taxes, or any taxes at all. Am I correct in that?

Mr. O'DANIEL. The Senator is correct.

Mr. BONE. The Senator used the date 1942, which the Senator from Iowa has been using, and I saw Senators smile, and I knew there was a misapprehension. In other words, the Senator from Texas does not propose to abate any taxes, but if a Senator or anyone else has paid his taxes on March 15 for 1942, he has acquitted himself of any obligation to the Government. Then on July 1, 1943, he begins to have deductions from his salary check, which are applied on the tax which will be due for the year 1943. Am I correct in that?

Mr. O'DANIEL. The Senator is correct, and I thank the Senator—if I inadvertently used the wrong year in the debate. I do not want to have a misunderstanding.

Mr. HATCH. Mr. President, if I may interrupt, the Senator from Iowa was informed, in answer to the question he propounded, that instead of his taxes paid after July being applied on 1943 taxes, they would be refunded to him. Obviously they cannot be refunded to him and be applied on the 1943 taxes at the same time. I should like to have that question cleared up.

Mr. O'DANIEL. I shall be glad to attempt to do so. In the case of the Senator from Iowa, he has already paid his taxes which accrued during 1942. If my amendment shall be adopted, and I hope it will, and the bill, as thus amended, should be enacted, beginning July 1 payments will be deducted from the Senator's salary check each month, and those payments will be remitted to the Treasury of the United States, and there they will be held to the credit of the Senator's account. At the end of 1943 the Treasury will figure up the amount of those payments, plus the amount the Senator remitted on March 15, and, of course, the sum total will exceed the amount of his 1942 tax, and the amount that it exceeds the 1942 tax will be refunded to the Senator.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. O'DANIEL. I yield.

Mr. HATCH. That is exactly the way I understood the Senator's explanation in the first instance, but after that the other proposition was injected, and the statement was made that the taxes paid after July would be applied on the 1943 taxes. Now another Senator says, "Of course they will."

Mr. O'DANIEL. They will not be applied on 1943 taxes unless the Senator should make a special request that the

money be retained by the United States Treasury for that purpose.

Mr. President, in conclusion, I wish to refer to something that has been referred to before, but to point out a different meaning, or at least a meaning which I have not heard expounded on the Senate floor. What I refer to appears on page 13 of part I of the hearings of the Finance Committee on this bill. Mr. Paul made this statement:

From the above table it is clear that while all three bills are more generous to the higher income groups than to lower income groups, the Ruml-Carlson plan is much more extreme in this effect. This may be perhaps clearer from the following illustrations.

What follows is highly important, I will say. Mr. Paul's testimony continues:

A person with an income before taxes of \$2,000 whose actual income after taxes is \$1,860, under the Ruml-Carlson bill, would have \$140 added to his \$1,860, or slightly less than 4 weeks' actual income.

A person with \$5,000 income before taxes whose actual income after taxes is \$4,254 would have \$746 added by the Ruml-Carlson bill, or slightly less than 9 weeks' actual income.

Then Mr. Paul refers to the \$10,000 bracket, the \$50,000 bracket, and the \$100,000 bracket. He says they all increase in proportion—or out of proportion I might say. His testimony continues:

The person with \$100,000 income before taxes whose actual income after taxes is \$35,940 would have \$64,060 added, or about 20 months' actual income.

The person with \$1,000,000 before taxes whose actual income after taxes is \$146,000 would have \$854,000 added, or about 6 years' actual income.

Mr. President, while, of course, it can be seen from that statement that the Ruml-Carlson plan is absolutely inequitable and unfair, and favors those in the higher brackets, yet the point I should like to make is that the person with an income of \$1,000,000 could retire from business after he had had his taxes abated, and by the abatement or cancellation of his taxes would profit to the extent of \$854,000; he could retire from business with that \$854,000, which was due the Government until the time the Ruml-Carlson plan was enacted into law, if it shall be enacted, and he could retire for 6 years, without taking the risk of any business transaction whatever; for his earnings, which he had retained by virtue of the cancellation of his accrued tax bill, would be exactly the same amount for 6 years as though he had continued operation and had earned \$1,000,000 in each of those 6 years, and had taken all the risks and performed all the work involved.

So, Mr. President, what we are actually doing is plowing under, one might say, those men who have ability to create earnings of \$1,000,000. Goodness knows we need more of that kind of men in this country, because when a man makes \$1,000,000 he now turns into the Treasury \$854,000; we need more million-dollar earners; but by adopting the Ruml plan we are resorting to the same philosophy that was involved in plowing under every fourth row of cotton and killing the cattle and little pigs. We are creating an in-

centive for those who have the ability to earn \$1,000,000 to retire from the field of making profit for 6 years, because they can make just as much each year during those 6 years as they could by remaining in business and making \$1,000,000 profit during each one of the 6 years.

Mr. President, so I say that the Carlson-Ruml bill in every phase, in every way we look at it, is unsound, is unfair, is inequitable.

In my opinion, if the bill shall be passed, there will, in calmer moments later, be many regrets on the part of those who subscribe to the enactment of such iniquitous legislation. When the boys come home from war and look up the record and find in it the names of men who made enormous war profits during 1942 and 1943, and who while the soldiers were away from this country fighting and dying were permitted by the Ruml plan to add to their capital the amount of the accrued taxes which were due in 1942 or 1943, their reaction will hardly be a pleasant one. I do not intend that the boys who look up that record shall find that the junior Senator from Texas was a party to the enactment of such legislation, but rather that they shall discover that the junior Senator from Texas was opposed to it.

Mr. President, I ask for the yeas and nays on my amendment.

The yeas and nays were ordered.

Mr. GUFFEY. Mr. President, I suggest the absence of a quorum.

Mr. McNARY. Mr. President, will the Senator withhold his suggestion?

Mr. GUFFEY. Yes.

Mr. McNARY. I should like to propound an inquiry to the distinguished Senator from Georgia [Mr. GEORGE] who is in charge of the bill. A number of Senators find it necessary to be out of the city on official business tomorrow, and some on Sunday. I wish to know the program and plan the distinguished Senator has in mind with respect to the bill; whether the Senate shall be in session this evening, or tomorrow, or shall recess from tonight until Monday. I desire to follow the pleasure of the Senator in every way, and shall assist in every way I can to obtain an early disposition of the measure.

Mr. GEORGE. I was about to make the announcement that I shall ask the Senate to stay in session this evening until we shall finish action on the bill. The bill ought to be finished today, if it passes in any form which carries withholdings at the source. The Commissioner of Internal Revenue will not have any time to spare after the passage of the bill by the Senate and final action upon it, whether by signature of the President or otherwise, even if it were to be enacted and become law very early next week. I therefore hope that the Senate will be prepared to remain in session tonight until action on the bill has been concluded. I hope that we may have votes as rapidly as we can, of course, consistent with due consideration of the measure.

Mr. McNARY. Then, Mr. President, I understand plainly that the Senate is to stay in session until the bill is passed?

Mr. GEORGE. Yes.

Mr. TYDINGS. Mr. President, I had not intended to say anything about the pending legislation because I am not a member of the committee, and tax philosophy is so intertwined and interwoven that on most propositions one who does not serve on the committee is at great disadvantage in discussing the philosophy of any tax bill. However, in my humble judgment, there has emerged from the discussion a clear-cut principle or clear-cut policy which we must or must not embrace, depending on how we vote on the amendment offered by the junior Senator from Texas [Mr. O'DANIEL]. We are told by the Secretary of the Treasury that new taxes to the extent of about \$16,000,000,000 are desirable. We know that frequently the Government is endeavoring to put over loans for designated amounts, such as \$12,000,000,000 or \$15,000,000,000 in order to obtain the cash required to finance its program.

So, therefore, our future economic or, let us say, governmental financial stability depends upon two things: The ability of the Government to borrow, on the one hand; and the Government revenue derived from taxation, on the other hand. Those two things must go along hand in hand and must provide sufficient money to enable us to successfully prosecute the war. The failure of either one of them to produce a total sum sufficient to enable the Government to meet its obligations would bring disaster; for, under the bill heretofore passed by the Congress, in the emergency, the Secretary of the Treasury would simply walk over to the Federal Reserve bank, would place the Government's I O U there, and would take out enough billions of money to make up the difference. Of course, so long as public confidence is back of the loans, our bonds are always good. But the moment we depart from the foundation of public confidence behind Government obligations, to a certain extent the financial integrity of our Government is called into question.

At the other end of the Avenue we have set up an economic stabilizer, a czar, if you please, in the person of Mr. Byrnes, our former colleague. His job, we are told, is to "hold the line," to keep prices from increasing, to keep salaries and wages from going up beyond some intangible level of the past. I know his job is a difficult one.

Then, too, we have drafted the manpower of the country. Directly, through the Selective Service System, we have drafted the manpower needed for our armed forces. Indirectly, through directives of the War Manpower Commission and of other agencies, we are compelling and inducing people to go to the farms or into essential industries.

So, under the facade or the disguise—which would be a better term—of not drafting, in effect we are drafting all manpower, and largely all womanpower, either through the medium of the Selective Service Act, for the armed forces, or, through various other media, for work in the various civilian industries essential to the war.

What is the measure now before us, in the light of the background I have briefly sketched? Is it to share the bur-

den? Is it to make equality of sacrifice? I cannot see how it is, for, no matter what one may say, the following elements stand out starkly in the tax problem: For a number of years—the years during the conduct of the war—the national income will be abnormally high. So long as the war lasts, more persons will work at wages which are abnormally high, and therefore during a number of years the national income will be far greater than the normal national income. Let us assume for the sake of argument or illustration that the national income during each of 4 war years is \$160,000,000,000; let us assume that will be the national income in 1942, 1943, 1944, and 1945. Likewise, let us assume that on the last day of the year 1945, hostilities will cease, and the War Production Board, the Army, the Navy, and the other agencies of the Government will immediately dispatch telegrams to Henry Ford, to General Motors, to Chrysler, to Glenn Martin, to United Aircraft, to the Baldwin Locomotive Works, to shipyards, and to everyone else, reading substantially as follows: "Stop all production forthwith"—because there will be no need for tanks or shells or guns or other munitions of war the moment hostilities cease. What will happen then?

The 20,000,000 men and women in the war plants will be without work, at least temporarily. The national income, which will have been away above normal, will drop off sharply. What will that mean, in terms of the pending bill? It will mean that if we start to collect income taxes on the basis of this year's earnings, instead of collecting income taxes during this year on the basis of 1942 earnings, the income of one of the great war years will not be used by the Government as a basis for fixing taxation.

Mr. President, we cannot get away from that point. So, if the war ends on December 31, 1945, instead of collecting income taxes on 1942, 1943, 1944, and 1945, when the income is at a high level, under the Ruml plan we will collect on the basis of only 1943, 1944, and 1945 incomes—3 great years. The income for the year 1946, which will be a depression year, will, in effect and in actuality, form a substitute for the income for the year 1942, which we shall have waived.

So, instead of having a basis of \$130,000,000,000 worth of actual earnings on which to siphon revenue into the Treasury, we shall take a \$60,000,000,000 or a \$70,000,000,000 year of earnings as the basis of which to siphon earnings into the Treasury, and over that 4-year or 5-year period we shall lose the ability to levy taxes on income actually earned, to the extent, let us say, of \$50,000,000,000 or \$60,000,000,000.

Mr. TAFT. Mr. President, will the Senator yield for a few questions?

Mr. TYDINGS. I yield.

Mr. TAFT. In the first place, while presumably we shall lose that year as a basis for income taxation, it is to be presumed that thereafter the national income will begin to increase again, and that during every subsequent year we shall gradually obtain more revenue than we now are obtaining under the existing

plan, until by the time we get back to the level of normal incomes before the war—and I feel perfectly confident that we shall do that in time—we shall regain that loss.

Mr. TYDINGS. No, Mr. President; I do not think so. I agree in part with what the Senator from Ohio has said, except I say that the great income year 1942 will be forever lost.

Mr. TAFT. Will the Senator yield for just a moment further?

Mr. TYDINGS. I ask the Senator to let me explain why I partly differ with him. Because if that year is excluded as a basis for levying taxes, it can be made up only by some following year which, according to all human measurements, in the average can never be so great as the average war year.

Mr. TAFT. No, Mr. President; I do not agree with the Senator at all. In the first place, the Senator must remember that it is the year 1942 which we are excluding. In fact the amount excluded is less than the 1942 total tax because of the windfall provision. The 1942 national income is approximately \$110,000,000,000. In 1943 it will be much greater. Presumably, in 1944 it will be nearly \$150,000,000,000; and from the increased taxes, we shall get all that we are giving up under the present plan, because we shall be levying the taxes on a larger income.

It seems to me to be perfectly reasonable to assume that we shall gradually get back to a \$110,000,000,000 year, which the Senator says is bigger than any other year. When we are through we shall be exactly where we started.

Mr. TYDINGS. No, we shall not, for this reason: Let us take a 10-year period. We start with the war years. They are confessedly far above normal years. They will probably average \$40,000,000,000 more than the average income of America from 1935 to 1940. If we take the year 1942 as a big year, the year 1943 as a big year, the year 1944 as a big year, and the year 1945 as a big year, we have 4 big years. Then we take 4 years of sloping off—the years 1946, 1947, 1948, and 1949, and then we have 2 good years on the end. At the end of 10 years, what is the result? We have lost one of our biggest years forever.

Mr. TAFT. No; we have replaced it by the average. If the average comes back to \$110,000,000,000, we shall not have lost a cent.

Mr. TYDINGS. I do not agree with the Senator. If that philosophy is sound, let me say to the Senator that if he will give me his entire earnings this year, he can make them up in the next 9 years.

Mr. TAFT. Not at all. That comparison has no relation to the subject which I am discussing. The question is whether the Government would receive as much money under the Ruml plan as under the other proposal. I say that it would over a period of 10 years. I say that it would receive more. Whenever the income rises over that of the previous year, it would receive more. Whenever the income goes down, it receives less. It seems to me obvious that if we start

with \$110,000,000,000 for 1942, if by 1952 we are back to \$110,000,000,000, we shall have collected exactly the same number of dollars as we would have collected if we were to continue the present system in effect. It seems to me perfectly clear. I do not see any answer to it.

Mr. TYDINGS. The Senator usually does not see anything in an argument with which he is not in accord.

Mr. TAFT. It is purely a mathematical question.

Mr. TYDINGS. I do not for a moment concede that the Senator's premise is correct, but I am trying to understand his point of view. If the Senator will quit talking generalities and deal with actual years, I think I can convince him that the basis for his entire assumption is not sound. Let me illustrate.

Let us take, for example, a 5-year period, 3 war years and 2 post-war years. Under the Ruml plan 1 of the war years would be eliminated, and 1 post-war year would be substituted in its place to make up the 5-year period. Am I correct in that?

Mr. TAFT. Entirely so.

Mr. TYDINGS. Then we have 3 post-war years and 2 war years, in accordance with the Ruml plan, as against 3 war years and 2 post-war years in accordance with the plan of the Senator from Texas.

Mr. TAFT. Let me suggest—

Mr. TYDINGS. Just a moment. That is a 5-year period. Now let us take a 10-year period. In a 10-year period we would have 4 good years, 1942, 1943, 1944, and 1945. Then we will take 6 post-war years, 1947, 1948, 1949, 1950, 1951, and 1952. Let us assume, for the sake of argument, that the last 2 of the post-war years are fairly good years. What do we get in that picture? In that 10-year picture we get the elimination of a war year for a post-war year.

Of course, it may be said that time is infinite, which it is. If we go on down the corridor of time, there will always be the possibility that at some time in the future, time being infinite, we shall reach the point where it does not make any difference. But, Mr. President, the debt which we are building is not infinite. The income which the American people are making is not permanent. Everyone knows that it is abnormal. To say that 5 or 10 years from now we shall be back in a period of prosperity equivalent to 1942 is to assume that a group of political magicians will be conducting the affairs of all the countries which are now bankrupt. To adopt such a theory is to discount entirely the tremendous economic and depressive effect of a debt of \$250,000,000,000 on the shoulders of all businesses and persons in this country.

Mr. TAFT. Mr. President, will the Senator allow me to add a word?

Mr. TYDINGS. Certainly.

Mr. TAFT. The point I am making, to take the Senator's own statement, is that, in effect, if we eliminate a \$110,000,000,000 year, when we get back to another \$110,000,000,000 year, which, under the Ruml plan, would be substituted, by that time the income would be equalized and we should be in exactly the same position.

We would have eliminated a \$110,000,000,000 year at one end and added a \$110,000,000,000 year at the other end. When we were through the total would be the same.

The Senator suggests that we will not get back to another \$110,000,000,000 year.

Mr. TYDINGS. That is correct.

Mr. TAFT. I should like to call attention to the fact that in 1929 we had a higher income than we had at any time during the World War.

So far as the \$210,000,000,000 debt is concerned, if it means anything, it means inflation. It means, therefore, that our income is far more likely to be high 10 years from now than if there were no such debt. So it seems to me that the Senator's argument that the Ruml plan would result in a reduction of income over a 10-year period is not sound.

I should like to ask the Senator another question.

Mr. TYDINGS. Mr. President, I see the Senator's point of view, and I take issue with him specifically on the proposition that there is going to be a \$110,000,000,000 income in the country in 1952, for these reasons:

First of all, the world is impoverished. Secondly, when we had our high income in 1929 our debt was small. Taxes were small. Furthermore, during the period from 1920 to 1929, under the aegis of this Government, loans totaling \$16,000,000,000 were made to small countries. During that period we had the greatest year of foreign trade the Nation has ever seen. We had total exports of nearly \$5,000,000,000 a year. Why? Foreign countries were buying our exports with the money we were lending them. When those loans washed out, as they did in 1929, we did not have real prosperity. We had an illusion of prosperity.

This money is owed to our own people. Those debts were owed by foreign governments. So the concussion of having sent wealth out of the country, which could never come back, brought on, in part, the depression, whereas in the present situation the money is actually owed to our own people, and we do not repudiate our debts. Therefore, it means that the people will have less income with which to buy than they normally would have if taxes were not so heavy. They must lay something aside.

Mr. TAFT. Mr. President, will the Senator permit one further question?

Mr. TYDINGS. Certainly.

Mr. TAFT. The Senator has pictured a condition in which the national income continues to increase until the end of 1945, when he assumes the war will end, and then there will be a sudden drop.

Mr. TYDINGS. That is correct.

Mr. TAFT. What seems perfectly obvious to me is that even if the Government loses a large part of its income in 1946, it should lose it. We should never impose war taxes, based on 1945, on an income which is very much less in 1946.

Mr. TYDINGS. I agree.

Mr. TAFT. So, to the extent that the Ruml plan would result in a reduction of the income of the Government in the very year in which national income is reduced, it seems to me to be a sound

taxation policy, and one which should be supported by the Congress.

Mr. TYDINGS. I can see the Senator's point of view, but I do not agree with it for this reason: First of all, the Senator says that a reduction in the national income will be brought about largely because the war is over. I agree to that. That is the reason why I am opposing the Ruml plan, because it is obvious that when the war is over the national income will be less. That is why the Senator's argument is refuted, in large measure, by his own utterances, because he himself has just said that following the war the Government income will be less.

Mr. TAFT. No; I was merely accepting the Senator's assumption. That was all.

Mr. TYDINGS. The Senator said that when the war is over the Government income should be less. I agree that it will be less.

Mr. TAFT. I said that if the national income were less, I thought the Government income should be less.

Mr. TYDINGS. Yes. Therefore, is that the time to collect taxes? The debt will still be there. It will be greater than it is now. Is not the time to collect taxes to pay that debt while the people are in a position to pay the taxes to liquidate it? Every time we postpone the payment of that debt, we make it more difficult for the rich man, in finality, as well as the poor man, to pay the debt. There is demagoguery back of the Ruml plan in its last analysis. I predict that if it is adopted it will cost the wealthy more money in the long run than if they were put on a pay-as-you-go basis in accordance with the income of the people and their ability to pay based on that income.

Mr. O'DANIEL. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. O'DANIEL. I think the Senator from Maryland has very ably defended his position.

Mr. TYDINGS. I hope so.

Mr. O'DANIEL. I congratulate him on the address which he has made. However, in the debate between the Senator from Maryland and the Senator from Ohio, it seems to me that one phase of the subject has been overlooked. The interest of the Government has been discussed, but the individual interest has been overlooked.

Mr. TYDINGS. I am coming to that.

Mr. O'DANIEL. I thank the Senator, but I wish to call the Senator's attention to the fact that after we get through these years of prosperity and then through the years of depression, and possibly get back to prosperity, the class of citizens now paying an income tax will not be the same class of individuals who will profit by the adoption of the plan proposed.

Mr. TYDINGS. Just look at the situation from the standpoint of sheer logic and facts, and logic should play some part in the final determination of this issue. There is no Senator who knows when the war will end. It may still be in progress 5 years from now. It may

be in progress 10 years from now. I personally am inclined to take an optimistic view. I believe that at some time prior to 5 years from now the war will be over. However, there are many sound thinking persons high up in the Army and Navy who say there is no immediate prospect on the horizon for a cessation of the war.

Mr. President, what will the debt be when the war is over? It is pretty certain that it will be in the neighborhood of \$250,000,000,000. That is \$7,500 for every family in America, rich and poor, high and low, black and white. There will also be the State debts, the city debts, the county debts, and perhaps our own debts on top of them all. If the debt is to be greater 3 years from now than it is at the present time, what is the philosophy of the proposal now before us? It is to pay off the debt when it is greater, and when we shall have less income, rather than to pay it off when it is small and when we have more income. That is just inescapable.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. LUCAS. The Senator from Maryland made a statement in the early part of his remarks with respect to what may occur when the war is over insofar as Ford, Chrysler, the shipyards, and other industries producing implements of war are concerned.

Mr. TYDINGS. Yes.

Mr. LUCAS. I take it that the Senator means that millions upon millions of individuals will then be out of work.

Mr. TYDINGS. Temporarily.

Mr. LUCAS. Temporarily, at least.

Mr. TYDINGS. That is correct.

Mr. LUCAS. If they should temporarily be out of work, or if they could not obtain the high wages they had been receiving in the defense plants, I wonder what would happen to many millions of these defense workers insofar as their taxes for the particular year were concerned. How would they pay them?

Mr. TYDINGS. Under the plan proposed by the Senator from Texas a 20 percent withholding tax would be collected currently.

Mr. LUCAS. That is correct.

Mr. TYDINGS. That would be used to pay their income taxes for the preceding year.

Mr. LUCAS. Yes. Let us assume that in 1945 they will have a year of tremendously high income, as well as in 1944, 1943, and 1942.

Mr. TYDINGS. Yes.

Mr. LUCAS. However, in 1946, after the war is over, I estimate that 6,000,000 or 7,000,000 of the 40,000,000 taxpayers will not be able to pay the high taxes assessed against them in 1945.

Mr. TYDINGS. The Government will have collected the tax currently while the taxpayers were earning it.

Mr. LUCAS. The Government will be collecting in 1946 while the taxpayer is receiving no wage.

Mr. TYDINGS. No. As I understand the philosophy of the amendment of the Senator from Texas—

Mr. LUCAS. Then I am wrong.

Mr. TYDINGS. Just a minute. Let us assume that 1945 will be the last year of the war, that on December 31, 1945, hostilities will have ceased, and unemployment will commence on the 1st day of January. That was the proposal of the Senator. All during 1945 20 percent of the worker's income was impounded while he was employed.

Mr. LUCAS. That is correct.

Mr. TYDINGS. That money would be available in 1946 to pay the income tax on earnings during 1945. Am I correct?

Mr. O'DANIEL. That is correct.

Mr. LUCAS. Yes; that is correct.

Mr. TYDINGS. It would be used to pay off the income tax in the year in which the income was earned.

Mr. LUCAS. Oh, no.

Mr. TYDINGS. It would not be paid until 1946, but the Government would have the money with which to pay it.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. TYDINGS. I will yield in just a moment. What is the Senator's interpretation of it?

Mr. LUCAS. I am trying to ascertain the correct interpretation.

Mr. TYDINGS. Let me state the question again. If the amendment of the Senator from Texas should be adopted, it is my understanding that all during the year 1945, from all these workers who are steadily employed, from every salaried man there would be collected monthly by the Government a 20 percent withholding tax. At the end of 1945 the worker would make up his income tax return on the basis of 1945's earnings. The Senator disagrees with that, does he?

Mr. LUCAS. I am trying to find out.

Mr. TYDINGS. Either agree or disagree. Otherwise I cannot tell what is in dispute.

Mr. LUCAS. Wait a moment. I am trying to obtain some information. The Senator seems a little excited over the situation.

Mr. TYDINGS. I am not excited, but the Senator propounded a question, and I stated the case, and then he shook his head.

Mr. O'DANIEL. Mr. President, will the Senator yield?

Mr. TYDINGS. I am glad to yield. Perhaps the Senator from Texas can clear up the matter.

Mr. LUCAS. I hope someone may be able to do so.

Mr. O'DANIEL. As I understand, under my amendment the withholding tax for 1945 would be sent into the Treasury and there it would be applied on the accrued tax for 1944.

Mr. LUCAS. Very well. Under the amendment of the Senator from Texas there would be withheld in 1945 the tax which was assessed in 1944 and due in 1945. Is that correct?

Mr. O'DANIEL. That is correct.

Mr. LUCAS. In 1946, when the great war is over, and millions of men have returned home, and are without work, who will pay the taxes in 1946 which will have been levied on the high wages earned by persons in the defense plants during 1945?

Mr. O'DANIEL. I am glad to answer the question of the Senator from Illinois.

Mr. LUCAS. I should like to have the Senator do so.

Mr. O'DANIEL. I have heretofore answered the same question during the debate today. I presume the Senator from Illinois was not in the chamber at the time.

Mr. LUCAS. I am sorry; I may have been out at that particular moment.

Mr. O'DANIEL. If we should come to the situation referred to by the Senator from Illinois, and the income of the taxpayer or individual in 1946 should fall off, or if he did not have any money and was unable to pay his 1945 income tax, certainly we could find nowhere in the United States a more worthy individual who would be entitled forgiveness or cancellation of his income tax for 1945.

Mr. TYDINGS. That is my understanding.

Mr. O'DANIEL. And that would be the time when the United States should forgive taxes.

Mr. TYDINGS. I still have the floor, and that is not my argument at all.

I should like to have the attention of the Senator from Illinois. This is my proposition: If under the aegis of the Ruml plan there is forgiveness of the taxes for 1942, which is a big year, and the Government does not collect any taxes in that earning period because it substitutes 1943 in its place, then I want it understood that even if the condition envisaged by the Senator from Illinois comes to pass, the Government has lost a good year, under his plan, as against a bad year, under the plan of the Senator from Texas. So that no real damage is done if the assumption of the Senator from Illinois is correct.

Mr. LUCAS. If the Senator will yield further, I maintain that an unusual amount of damage is done to millions upon millions of workers in 1946, if a heavy tax bill for 1945 is hanging over their heads. In 1946 we may find men going from one town to another attempting to get jobs, and not able to find them. Finally the tax collector finds an automobile parked in some spot, and he annoys and harasses the owner, and continues to try to collect the \$75 or \$125 that is due and owing under the previous year's tax, which the man made and spent. The very reason why I am for the Ruml plan is that I want to keep the Government from annoying and harassing millions upon millions of people in the post-war era.

Mr. TYDINGS. The reason why I am not for the Ruml plan is that I know the man referred to will be 10 times as much harassed if the integrity of our financial system is not kept strong.

Senators, as this debate takes place, I am carried back to the year 1937. There are a good many in this body now who were in the Senate at that time, but there are some new Members. Perhaps some of my older colleagues will remember that I had the temerity and the effrontery on six succeeding Monday mornings to line this Chamber with charts showing all sorts of deficits, income-tax proposals,

and similar things, and I made a plea morning after morning for six successive Monday mornings that we levy more taxes; that, as we were getting out of the depression somewhat, we should try to get the country, in those peacetimes, on a sounder basis.

I remember that from the year 1930 to the year 1940, a 10-year period, the Government deficits amounted to \$27,000,000,000, an average of \$2,700,000,000 a year. I remember I looked up the total cost of the Army and the Navy, including everything, during that 10-year period, and it amounted to \$11,000,000,000. We spent \$16,000,000,000 more during the 10-year period than we took in, without counting a single penny for the Army or the Navy.

Always this anticipated prosperous year was coming, in the future, just as my good friend, the Senator from Ohio, rose only a few moments ago and talked about the \$110,000,000,000 year of the future. So in those days people talked about \$100,000,000,000-income year that was coming in the future.

We tried everything that could be thought of to hasten it. We tried pump priming. There was a \$4,000,000,000 appropriation in 1 year in an attempt to get the machinery going at rapid speed. There were subsidies to farmers, and everything else of the kind, in an effort to start again the economy machine.

I now hear the same bewitching song, "Don't bother to collect as much taxes as you can get now," when the people are making the largest income in history, and when the debt is skyrocketing. "Put it off."

Five or 10 or 15 or 20 years from now the national income will be \$150,000,000,000 or \$200,000,000,000. I hope those who make that prediction will prove to be right. There is a big backlog of unfilled orders, for steel rails, cars, clothing, machinery, shoes, farm implements. But do not underestimate the fact that this is an impoverished world. Do not underestimate the fact that our responsibility to the world, at least under present leadership, will not cease when the armistice is signed. Do not lose sight of the fact that there will be a tremendous rehabilitation program, that sheer self-interest will cause many a man reluctantly to vote away the money of the people of this country in order to go to the aid of the diseased and the mentally and physically handicapped of other countries.

A few days ago I made an investigation and found that in Belgium, for example, the food allowance is 900 calories a day. Physicians say a healthy body should have 2,700 calories a day. The people of Belgium have for years been getting one-third of what they need, but now the allotment has been dropped to 800 calories a day. Look in Life Magazine for this last week, at the picture of the little Greek boy, whose legs are so thin they look like a crane's legs. He had nothing at all on his bones but skin. Do Senators realize that under the aegis of the Swedish and the Swiss Red Cross

we are sending to Greece 15,000 tons of supplies a week, and that without them the people would starve by the thousands? Does any one tell me that, sketching the conditions in this brief and incomplete way, when the war is over life is going to move along for all of us as it did in the past?

There is not a man on this planet whose imagination is sufficiently vivid even to begin to comprehend the after effects of the war, and let us make no mistake about it. I read in the press only a few days ago a statement that the Lend-Lease Administrator said he was running out of funds. We appropriated some \$16,000,000,000 or \$18,000,000,000 to him, as I recall, and the end of that is in sight.

I wrote to the officials of the Army and the Navy in the last couple of months—I have had quite a large correspondence with the Secretary of War—asking what in addition to lend-lease, what in addition to the visible expenditures of this Government, we had spent in foreign countries in a military way. Do Senators realize that we have spent nearly \$2,000,000,000 in building installations in some 30 or 40 countries scattered all over the globe? We have done that. The Army alone has spent nearly \$1,400,000,000, and there is no report under lend-lease or anywhere else of that expenditure.

Mr. President, do you realize that the coordinator of Latin-American affairs has spent \$21,000,000 for health and sanitation in Central and South America? I am not criticizing any of these expenditures, I am merely stating that right now we do not know the total of what the war is going to cost.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. TYDINGS. I desire to conclude but I yield to the Senator.

Mr. SHIPSTEAD. I am very much interested in what the Senator is saying. I am wondering whether I am correct in drawing an illustration I wish to suggest, because this is the way it appeals to me: Suppose a farmer has this year the best crop he ever had in his life, and decides that he will not pay his bills this year, but will wait 6 or 7 years, and perhaps have more money with which to pay. Is that about what the Senator has in mind?

Mr. TYDINGS. That is not wholly a far-fetched analogy of the present situation.

It does not take any intelligence at all to solve the question which confronts us, because there are certain fundamental truths which no amount of oratory or speech making can overcome. The first one is that this is the biggest year, so far as income earning is concerned, in the history of this Republic, and what does the pending amendment propose to do? It proposes to wipe that out as a basis of taxation, and to substitute some year in the future which we are told will approximate this year—and God only knows whether it will or not.

What hardship lies in paying taxes one year after they are due, particularly if the Government during that year, through the withholding tax, provides the money to pay the taxes? There

may be some slight evening up, I will concede, under the Ruml plan. When one year is balanced against another, for all intents and purposes one might, according to some philosophy, call the Ruml plan a substitute. But in any case a post-war year is being substituted for a war year. We cannot get away from that. Anyone who says the national income in a post-war year will equal the income of 1942 or 1943 is, in my opinion, a dreamer.

Mr. President, we cannot have a debt of \$250,000,000,000 and have low taxes. Taxes are a burden on the purchasing power of the people. Taxes are a burden on the advancement of free enterprise. Taxes are a burden on private initiative. The rich man, looking ahead, will want all the taxes possible collected now, because when the day when everyone receives large incomes shall pass there will be only a few of the comparatively large incomes left, and what targets they will be for the taxation of the future. There are many who are in favor of the Ruml plan who have not thought the subject through. Now is the time, right now, to collect.

Mr. President, I started out in my own general way in favor of the Ruml plan. Pay-as-you-go appealed to me. I should like to have it even yet, but I cannot take it at the price of waiving a whole war year and substituting in its place a post-war year as a basis for the collection of taxes.

Mr. President, I submit it is simply pure common sense to say that there is no immediate prospect in this Republic for the national income in any of the post-war years in your lifetime or mine equalling the national income of 1942, 1943, or 1944, when everyone is working at the highest wages in all history, not only working for our own needs, but working for the people all over the face of the earth. When the war is over we shall not be supplying people all over the face of the earth to the extent we now are. As we have made demands on the mothers and fathers of this country, as we have made demands upon the wives and the little children for their sons and fathers to go forth and to die, it seems to me not to be the part of patriotism, it seems to me not to be the part of good judgment, it seems to me not to be the part of intelligent self-interest on the part of anyone to cast aside as a basis for Federal taxation a year when the national earnings are the greatest in the history of our country, and to substitute some will-o'-the-wisp, as yet undisclosed, unknown year in the future, to take its place, when we know that great unemployment is bound to come after this war, and that all the world's hardships, now covered over, now behind the walls of war, will break out to command our attention and the burdens of government will be very heavy indeed, and the national financial structure be less strong to weather the storm than it now is.

Mr. President, although I started out in a vague way to be for the Ruml plan, I could not in good conscience feel that I would have kept the faith with those who are making the great sacrifice during this period of time if I were to wipe

out these great incomes—by great I do not mean large ones, I mean great in the sense that everyone is enjoying them—and not vote to provide that the Government shall receive taxes from them now rather than in the future.

Mr. President, I have no quarrel with any Senator who thinks otherwise. I did not intend to say anything in the debate, but, after listening to the debate, and finding what, in my opinion, is the essence of the whole dispute, I cannot cast my vote in any other way than I have stated I shall cast it.

Mr. LUCAS. Mr. President, I shall not trespass very long on the time of the Senate, and, because of the importance of having this measure passed at the earliest possible moment, I probably should not say any more than I have heretofore said in the course of questions and answers exchanged between me and Senators who have spoken on the bill. But, after listening to the Senator from Texas [Mr. CONNALLY] whose amendment is before the Senate, and the Senator from Maryland [Mr. TYDINGS] discuss this very important measure, I feel that I must say a word or two.

In the beginning, I should like to say that I do not know whether anyone is "demagoguing" on this measure or not, but, so far as the Senator from Illinois is concerned, there is a great principle involved, and upon that principle I stand or fall. That principle is placing the taxpayers of America upon a pay-as-you-go basis.

The Senator from Texas admitted in the colloquy which took place in the Senate today that his proposal would not place the taxpayers of America upon a pay-as-you-go basis. That is the issue with respect to the bill. If Senators believe in a theory or a philosophy which is new in the field of taxation they can vote for it, and if they do not they can vote against it. I regret that every Senator could not have heard the distinguished chairman of the Finance Committee, the Senator from Georgia [Mr. GEORGE] discuss this very question.

Mr. President, under the amendment now before the Senate we cannot get away from the question which I posed a moment ago, insofar as the year 1946 is concerned, assuming that the war ends the last of December 1945.

Mr. WILEY. Mr. President, will the Senator yield?

Mr. LUCAS. I yield.

Mr. WILEY. I am sorry I did not hear all the argument on this point, because I am quite convinced that the taxpayers of this country will be current in the payment of their taxes this year. Statistics produced today show that less than 1 percent of the taxpayers are in default of payment of taxes due March 15, this year. Let us consider the case of the Senator from Iowa [Mr. GILLETTE]. He paid his taxes for 1942. So from July of this year until January next year he will have 20 percent deducted from his salary. That deduction of salary for 6 months will be applied on 1943 taxes. Those who are behind in their payments—

Mr. LUCAS. Mr. President, I do not want the Senator—

Mr. WILEY. I should like to have the Senator clarify the situation presented by that case.

Mr. LUCAS. Mr. President, I do not know that I can clarify it. I think I am in more of a muddle now than I was when I rose to my feet. There is no question that the amendment proposed by the Senator from Texas does not place the taxpayers on a pay-as-you-go basis. I do not think the Senator will deny that. That is all there is to the question.

What will happen in 1946 when the President of the United States tells Ford and Chrysler and the shipbuilders, and so forth, in line with the example which was given by the Senator from Maryland [Mr. TYDINGS], that the factories must stop making munitions of war? Then millions of men employed in those factories will go—where? They will go back to the farms, they will go back to the small cities, they will go back to their own friends and neighbors. They will go everywhere. What will be hanging over them in 1946? It will be the tax bill assessed against them in 1945. All the employer can do in 1946 is to collect by way of a tax on whatever he may be making to apply upon the 1945 assessment; and in millions of millions of cases that collection will be absolutely nothing. In other words, if the amendment of the Senator from Texas shall become the law of the land, after the war is over that debt anxiety will hang over the heads of millions upon millions of defense workers.

Mr. President, that is one of the things in which I am tremendously interested at the moment. I am attempting to look far down the mountainside at the post-war conditions which our Nation will have to go through. In the post-war period we cannot afford to have millions of men with debt liabilities hanging over their heads. It will be hard enough to get along without having the tax collectors hanging around and annoying millions of men here and there and everywhere else—levying upon this automobile, upon this bedstead, upon this set of furniture, and upon that set of furniture in order to collect a tax which was assessed in 1945, when the man was making perhaps the highest income he ever made in the course of his career. That is the danger which exists in attempting to write into the law the kind of withholding tax the Senator from Texas wants the Senate to adopt.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. LUCAS. I yield.

Mr. VANDENBERG. In other words, the pending proposal coming from the committee is an insurance against having a bankrupt citizenship some day; is that correct?

Mr. LUCAS. Mr. President, in my opinion the Senator is 100-percent correct.

We have to look to the future of our citizens and of our country, and we cannot afford to enact any type of legislation which will have a tendency to bankrupt, or which will bankrupt, any citizen or a great portion of the citizens

of the country, especially at that particular time. Mr. President, it seems to me to be as clear as anything can be that we cannot under any circumstances afford to adopt such an amendment as that offered by the Senator from Texas.

Now to go back to the beginning, let me say that it is merely a question of principle as to whether we want to put the people of the country on a pay-as-you-go basis or whether we want to leave the system as it is at the present time. We do not need any law such as the amendment of the Senator from Texas would embody. I should prefer to leave the system as it is, rather than to place a withholding tax on the people under the system and arrangement contemplated in the amendment now under consideration.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. LUCAS. I yield.

Mr. HATCH. The Senator from Illinois has just referred to a pay-as-you-go basis. I should like to state that during the debate I have heard various Senators refer to the amendment as an amendment which would put the country on a pay-as-you-go basis. Would the amendment of the Senator from Texas do that?

Mr. LUCAS. Of course, it would not. The amendment of the Senator from Texas would not put the country on a pay-as-you-go basis in any way whatever. For instance, as to 1944 incomes, it would withhold from salaries and wages a certain amount to be applied to the assessment for 1945.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. LUCAS. I yield.

Mr. TYDINGS. I think the Senator and I were both correct a moment ago, and I think our disagreement was occasioned by a different interpretation of what was involved. Let me see if I cannot straighten it out.

My contention is that the withholding tax is taken out of earner's wages as he earns them. The Senator's contention was that even though they are taken out while the wage earner is earning the big salary, they are applicable to the salary earned in the preceding year.

Mr. LUCAS. That is correct.

Mr. TYDINGS. The Senator is correct; and when I inadvertently disagreed with him as to that phase of the matter I was in error.

However, I still maintain that the 20-percent withholding tax is an effort on the part of the Government to place the worker or the salaried man, regardless of what his salary may be, in such a position that he will be able to pay his income taxes at the time when he is making the high income.

Mr. LUCAS. Mr. President, let me answer the Senator's observation in this way: A great deal has been said about what we shall lose and what we shall forgive in connection with the pending bill; but, Mr. President, as the Senator from Georgia so correctly stated, we have the power to write a tax bill that would take care of any amount of money the Treasury might lose in connection with the Ruml plan.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. LUCAS. I yield.

Mr. MAYBANK. We have the right to take care of any amount the Treasury might lose; but we do not have the right to put the same amount back on the same persons, do we?

Mr. LUCAS. That may be true; the Senator may be correct; but, insofar as the collection of taxes is concerned, we can assess in taxes all that the people can stand; we can take it all, if it is necessary to do so, in order to carry on the Government in this crisis.

Mr. President, nothing will be lost by the Ruml plan; but as I stand on the floor of the Senate, I say that even if the Treasury should lose something, the result of putting the people of America on a pay-as-you-go basis would be worth it. I am speaking now in the light of the post-war era; because that will be the time when we shall need the best possible morale on the part of our people in order to keep the wheels of the American way of life turning; and we cannot afford to have tax snoopers or tax collectors going around in 1946 harassing and annoying men who forgot to pay their taxes, and making bad citizens out of them, at a time when we shall need all the good citizens we can possibly have. Our citizens will continue to be good citizens if we let them pay their taxes at the time when they have the money with which to pay them. That is what would be done by the Ruml plan.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. LUCAS. I yield.

Mr. MURDOCK. I understand that the Senator's proposition is that we should forgive the 1942 taxes because sometime in the future there might be a bad year when the wage earners of the country could not pay their taxes. Is that the Senator's point—that we should forgive the 1942 taxes in order to have taxes on a current basis in the poor years?

Mr. LUCAS. That is one of the arguments which has been made, and I judge from the remarks made a moment ago by the Senator from Maryland, when he spoke about factories shutting down and employment decreasing and the difficulties the country would have to go through that that was the point he made. Mr. President, I take up that point and discuss it. I hope the country will stay on a national-income basis of \$150,000,000,000 or \$160,000,000,000 forever, so far as I am concerned. I hope the time will never come when a million of our men will be out of employment.

I do not base the argument on those considerations at all; I base it on the fact that people ought to be on a pay-as-you-go basis, so that we shall have the tax money in our pockets when the time comes, and not have tax collectors going around, annoying the people.

Mr. MURDOCK. That is the argument the Senator made, is it not?

Mr. LUCAS. Yes.

Mr. MURDOCK. The Senator's argument was that for 1942, the year in which our people had the greatest income of any in our history, we should forgive

\$9,000,000,000 of taxes because of a rainy day the Senator sees in some future year.

Mr. LUCAS. Of course, I cannot possibly see so far ahead as can the Senator from Utah, Mr. President.

Mr. MURDOCK. That is the argument the Senator makes, and I ask him to stay with it.

Mr. LUCAS. Of course, I shall stay with it.

Mr. CHANDLER. Mr. President, will the Senator yield?

Mr. LUCAS. I yield.

Mr. CHANDLER. Like the Senator from Maryland, I, too, started out against the Ruml plan. Yesterday I heard the argument made by the able senior Senator from Georgia [Mr. GEORGE], the chairman of the Committee on Finance. It seems to me that the point is whether we want to put the American taxpayers on a basis on which they can pay their taxes as they earn them—on a current basis. The Senator from Georgia said that if we decide to do that, 30,000,000 of the 44,000,000 American taxpayers will be able to pay their taxes currently, out of salaries and wages. He went further, and said:

I would not hesitate to abate 100 percent of the tax if I believed it was necessary in order to put the American taxpayer on a current basis with his Government, and I would do so under the firm conviction that that was the best course for the Government to pursue, and was certainly the best course for the taxpayer, if the Government should follow it.

Mr. President, from all the debate which has occurred, I take it that no Senator will say he does not want to put the taxpayers on a current basis. Of course, we have different ideas of how to do it. The chairman of the committee wants to do it on a 75-percent basis, because he thinks we should carry over 25 percent of the taxes. However, as he said—and I repeat it, because what he said convinced me—there is no such thing as forgiving the taxes owed to the Government. I quote the Senator's statement:

Forgiving! What does it amount to when the Government can in any one year impose any tax on its people that it wants to impose? This is not a question of debtor and creditor. If, as a creditor, the Senator from Alabama forgives me something, he cannot make me pay it next year unless I become indebted to him again. In the narrow, technical sense only, is there the relationship of debtor and creditor between the Government of the United States and the taxpayer, because the Government has the absolute power to change, modify, shift, or increase its tax rates so as to meet its necessities.

Mr. President, all of us owe the Government; we owe it for everything we have—and that is the basis of obligation—and the Government can take everything we have if the Government needs it.

So far as giving back anything is concerned, we are not proposing to do any such thing. The Government can assert its right to have all the taxes it needs for any purpose, either now or at any time in the future.

Mr. President, I would not support the amendment of the Senator from Texas,

because it would put us on a temporary pay-as-you-go basis, from July 1 to the end of the year, and then from the 1st of January to the 1st of July we would still be on the present basis and would be liable for 1942 taxes.

As the Senator from Georgia said yesterday, the average taxpayer is, perhaps, a soldier boy now in the Solomons, and I know some of them who made \$15,000 or \$20,000 a year before the war, but now make \$50 a month. How are they going to pay taxes? Are we going to permit their homes to be taken, and liens to be established on their property? Millions of people in the United States cannot pay taxes now. There are too many of them to put in jail. Are we going to force them into bankruptcy? The Senator from Georgia convinced me that we ought to put them on a pay-as-you-go basis, wipe out the obligation, and start over again.

I wished to add these remarks to the statement of my friend, because it seems to me that that is the proper basis for our action.

Mr. LUCAS. Mr. President, I thank the Senator from Kentucky. That is all there is to this problem. It is as simple as A B C. The question is whether or not we want to place the taxpayers on a pay-as-you-go plan. There is no answer to the great argument which was made yesterday by the distinguished chairman of the committee.

Mr. President, I yield the floor.

Mr. JOHNSON of Colorado. Mr. President, I shall not detain the Senate long. I wish to make a very brief statement.

There is an old saying in Washington that, "If you do not like the weather in Washington, just wait a while." [Laughter.] That is almost true of the proposals to change the tax law. We have so many amendments that if we will only sit around and wait a while, the proposal we want will come along and we can get on the band wagon.

The proposal I like more than any other has come along in the form of the O'Daniel amendment. I have made a long study of all these proposals. I am a member of the Finance Committee, and I have listened to the testimony and arguments pro and con on all of them. I find that so far all the proposals have some very definite weaknesses, and all of them have elements of strength. Some of them are more attractive than others.

The proposal which the junior Senator from Texas is making has its weaknesses. I will admit that I have been greatly disturbed by the arguments made by the chairman of the Finance Committee to the effect that the time has come when we must put the taxpayers on a current basis. Of course, the proposal made by the Senator from Texas would not put them on a current basis. We would not catch up the year we would be behind. We simply would not be 2 years behind. That is the difficulty, unless we have a withholding tax. A withholding tax would not catch up the year we are already behind, but it would make it impossible for us to get 2 years behind. That is its virtue.

If we are to make our taxes current, we can do one of two things: We can skip a year, or we can double up and pay 2 years' taxes in 1, or spread the payment of 1 year's taxes over a period of years.

We had before us the Ellender plan, which did not skip a year, but doubled up the taxes. Then we had the Connally plan to skip half a year and double up the remaining half a year. We have the plan of the Senator from Georgia, to skip 75 percent of the 1942 taxes, and bring forward 25 percent of the 1942 tax. Then there is the Ruml plan, to skip a whole year and not double up anything.

There are two proposals before the Senate not to double up taxes. It seems to me that it is absolutely impossible, with the heavy load the taxpayer is carrying at the present time, to double up his taxes. Neither of the two plans to which I refer would double up any taxes. I like the O'Daniel proposal best of all.

Strange as it may seem, I select the Ruml plan as the next best. I voted against the Ruml plan in committee. I started out very much opposed to it. I felt that we ought to go along as we had been doing for 30 years, and not worry very much about making our taxes current, and enact a withholding tax so as not to get 2 years behind. No one would be hurt very much. In the matter of property taxes we expect to be a year behind. There is no proposal before the Congress at the present time to make corporation taxes current. They will still be a year behind. Even though we should adopt the Ruml plan and make personal income taxes current, the majority of income taxes would not be made current, because corporation taxes would not be current. I know, of course, that corporations subject to examination by a certified public accountant are compelled to carry a balance to take care of their taxes. I know that most of our heavy personal taxpayers do the same thing. It seems to me that the Treasury could greatly assist in keeping taxes current by working out a system of bonds to sell to the people on an installment plan a year ahead. The people could buy the bonds, and at the end of the year the bonds could settle the tax account. It seems to me that the Treasury could work out something of that kind and make it as attractive as possible, even though a discount were allowed on the bonds, so that taxpayers could become current by making installment payments.

Of course, under the O'Daniel plan, any taxpayer who wished to become current could become current simply by setting aside a certain sum of money. It seems to me that the Treasury should encourage him to do so.

As I say, I have been greatly impressed by the statement of the chairman of the committee as to the necessity of becoming current. I was greatly impressed by the statement which he read today from the high-finance officer of Canada on the same subject. I was quite impressed in committee by the following colloquy between the chairman and Mr. Paul, the expert from the Treasury:

Mr. PAUL. If you once adopt a current collection system, then all the increases would go along with the other taxes, and the taxpayers would be current, but the number of dollars taken out of their pockets would be greater.

Senator TAFT. Unless they had to borrow money to pay the taxes. Then they would not be current.

Mr. PAUL. They are current so far as the Government is concerned.

This is what the chairman said:

If you are to get \$16,000,000,000 more money out of the taxpayer, take it out of the stream of earnings or of income, you have got to get most of the taxpayers current or they cannot stand it.

Mr. Paul replied:

I agree with you.

So the Treasury believes that taxes should be made current. There is no question about that. It was brought out more forcefully in some questions which I asked the Treasury representative.

As I say, I should prefer to go along as we have been operating for 30 years, and as I believe we could go along for 30 more years, remaining a year behind. I am reminded that last October—I believe it was about the middle of October—Congress enacted a tax bill which was made retroactive to the first of the calendar year in which it was enacted. I believe that if we look up the record we shall find that most tax measures are made retroactive for many months. So there is not such a great problem in making taxes current as we might think. I shall support the O'Daniel amendment, and if that is defeated, I shall support the Ruml plan.

Mr. WALSH. Mr. President, as a member of the Finance Committee, I wish very briefly to state my position on the pending bill. I will not discuss the pending amendment.

Mr. President, practically all proposals that have been made preceding the reporting of the pending bill by the Finance Committee have agreed that there is no better or more sensible plan of taxation than the pay-as-you-go system. The Treasury Department has indicated the desirability of eliminating for the great mass of taxpayers the 1-year lag which now exists in our present system of individual income-tax payment. In other words, everyone appears to favor relating tax payments to the year of income, and letting income and the payment of taxes go up and down together.

The system under which we have been operating has not been particularly objectionable in the past because incomes were low and taxes were comparatively low.

With the tremendous increase in the income of taxpayers, and the number of taxpayers, and with the war causing wide and abnormal fluctuations in income, and with the prospect of a strong decline in the current income of many taxpayers, the Government is likely to lose heavily because many taxpayers will be unable to pay taxes a year after their large incomes have disappeared. Taxpayers cannot pay taxes past due after they have spent their incomes. It is best for the taxpayers, and most advantageous to the Treasury to have taxes paid on a pay-as-you-go basis.

Assuming that the soundest tax system is one in which the tax liability is geared to current income, as we practically all agree, the only question is, How are we going to accomplish it?

It is my judgment, after studying the various proposals, that the fairest way to accomplish this objective is to treat all taxpayers alike, by providing that all taxpayers will be placed under this system, without any distinction as to the amount of tax paid or the income received.

The tax rate system now in operation is based upon the principle that persons are taxed on their ability to pay. This well-established graduated system of taxing incomes will continue, and when increased taxes are to be levied in the future this plan will be continued.

Suggestions have been offered and bills and amendments have been presented that seeks to differentiate between various classes of taxpayers. All these proposals either seek to increase the present taxes out of line with the present graduated tax system or to increase the tax burdens rather substantially in the case of certain taxpayers for this privilege. Under these proposals increased current taxes must be paid, and a substantial carry-over tax will have to be levied in the future, which will be a serious handicap to many taxpayers, and in many instances will exceed their income.

I have no objection to increasing the taxes on incomes in all tax brackets on the basis of ability to pay, but I do not favor this being incorporated in a bill intended to put all taxpayers on a pay-as-you-go basis or penalizing some of the taxpayers and not all, for adopting a system of collecting taxes on the current income basis. Any system other than treating all taxpayers alike is discriminatory and in the nature of a penalty in the form of additional taxes on certain taxpayers.

A bill containing new tax rates on incomes is soon to be presented to Congress. At that time the rates must be increased and they should be increased along the lines of the graduated scale already fixed in our tax laws. I favor substantial increases in the estate and gift taxes, as well as graduated increases on the incomes of all taxpayers who are now, under the law, obliged to pay income taxes.

Mr. President, I have concluded the prepared concise statement of my views, reached after studying all the proposals which have been submitted. I inquire, why not treat all taxpayers alike, in view of the fact that we are primarily considering changing to a system of having taxes paid upon a current basis? I do not believe any other claim can be justified. The poor man, the man with a small income, would be placed on a current basis. It is desirable for him and it is desirable for the Treasury, but it is proposed by some that those in the higher brackets shall be discriminated against and shall be asked to pay something for the privilege of being put upon a current basis. I cannot follow such a theory of class distinction, much as my sympathies go to the hard-pressed small taxpayers of this country. If we desire to get more taxes

from taxpayers who are in the higher brackets, let us impose heavier taxes upon them and heavier rates, and let us increase the taxes upon estates. In the case of deceased persons with more than \$60,000 a graduated estate tax is levied. Let us meet the problem of determining what the Public Treasury may need in increased taxes by dealing with the rates and by increasing the estate and gift taxes.

Let us now enact a law such as the committee has recommended which will put everyone on a current basis without discrimination, without going into the question of rates; and when the rate bill shall come before us for consideration if the most prosperous of our people can afford it let us increase their rates, even though they may have to go into their capital to pay the cost of this war. But do not punish, penalize, or persecute them when we are undertaking here only to change from an antiquated tax system which may have been all right in the past to a modern pay-as-you-go tax system which would give the people of this country an opportunity to pay their taxes currently.

Mr. President, what would you think of paying the pew rents in your church a year after you occupied the pew?

Who would think of paying the rent for the tenement which he occupies in the following year when he does not know what his financial condition or his income may be?

It seems to me to be clear, definite, and just that the course for us to pursue is to put the taxpayers of this country on a current tax basis, and to leave the question of rates, the question of discrimination, and the question of penalties, as well as every other question, for consideration when the rate bill shall come before us. Therefore I shall support the Finance Committee bill.

Mr. CLARK of Missouri. Mr. President, I do not desire to delay the vote of the Senate on this amendment. I desire only to say that in observing the course of the debate on the amendment offered by the junior Senator from Texas [Mr. O'DANIEL] to the substitute proposed by his colleague, the senior Senator from Texas [Mr. CONNALLY], I have been reminded of a certain story told by a former President of the United States, that great American, Woodrow Wilson.

We all recall that this afternoon the Senator from Texas made a so-called explanation of his amendment. At the end of the remarks of the Senator from Texas, the Senator from Maryland [Mr. TYDINGS] rose and made a 15- or 20-minute speech. At the conclusion of the remarks of the Senator from Maryland the Senator from Texas said, "The Senator from Maryland is absolutely correct, and I thank the Senator for his explanation."

Later, when the Senator from Maryland took nearly an hour in his own time to explain his conception of the amendment of the Senator from Texas, the Senator from Texas repudiated it, but when the Senator from Maryland first rose and injected his explanation of the amendment of the Senator from Texas, the Senator from Texas said, "The Sen-

ator from Maryland is eminently correct, and I thank the Senator."

Whereupon the Senator from Washington [Mr. BONE], my dear friend, rose and beat his breast, tore his hair, and screamed for nearly an hour in the time of the Senator from Texas, enunciating an essentially different theory of the amendment of the Senator from Texas than that which had been expounded by the Senator from Maryland.

The Senator from Washington reduced me to tears, as he always does when he reaches the heights of oratory. I am always sensible to the fiery eloquence of the Senator from Washington. His eloquence is always fiery. As I have said, he reduced me to tears, as he did nearly every other Senator. However, his theory was essentially different from that which had been expounded by the Senator from Maryland. At the conclusion of his remarks, the Senator from Texas said:

I thank the Senator from Washington. He has completely explained and expounded my theory of the amendment, and I thank him for his eloquence.

Then the Senator from Utah [Mr. MURDOCK] rose. He had a different theory, which he expounded at some length, with great vehemence and very ably. If I had not heard the other explanations which had been made, as well as the explanation of the Senator from Texas himself, I might have arrived at some conclusion as to what was the purpose of the amendment of the Senator from Texas.

The Senator from Utah proposed an entirely different theory in explanation of the amendment of the Senator from Texas, and after he had concluded the Senator from Texas rose and said:

I thank the Senator very sincerely. He has completely and adequately explained my amendment.

Then the Senator from South Carolina [Mr. MAYBANK] stuck his oar in and gave an entirely different explanation than any which had theretofore been made. Various other Senators, including the Senator who now occupies the chair [Mr. HATCH], made explanations. The Senator from Texas thanked each one, and said, "That was a complete and adequate explanation of my amendment."

Mr. LUCAS. Will the Senator yield?

Mr. CLARK of Missouri. I shall yield in a moment.

Mr. President, that would have been all right if the Senator from Maryland had not insisted on further expounding his theory of the amendment of the Senator from Texas. When he put the Senator from Texas on the stand as a witness in his own behalf, the Senator from Texas repudiated the explanation of the Senator from Maryland, saying that he did not understand the amendment in the same way as did the Senator from Texas.

I am now glad to yield to the Senator from Illinois.

Mr. LUCAS. The only one of his colleagues the Senator left out was the Senator from Louisiana [Mr. OVERTON], who explained the amendment.

Mr. CLARK of Missouri. There were so many witnesses, so many testifying,

the Senator from Texas agreeing with so many, that I may have lost track of one or two, perhaps three or four, in the course of the remarks.

What I started out to say was—

Mr. McFARLAND. Mr. President—

Mr. CLARK of Missouri. I believe the Senator from Arizona was in on it, too. I did not mean to leave him out. [Laughter.]

Mr. McFARLAND. I merely desire to remind the Senator from Missouri that we are talking about the Ruml plan.

Mr. CLARK of Missouri. No; we are now talking about a plan which cannot be named.

Mr. McFARLAND. But we are "rumbling" a great deal, anyway. [Laughter.]

Mr. CLARK of Missouri. No; we are talking about the plan which was introduced, at least, by the junior Senator from Texas [Mr. O'DANIEL], but the Senator from Maryland, the Senator from Arizona himself, the Senator from South Carolina, the Senator from Utah, the Senator from Louisiana, and several other Senators have had a say in putting their own construction on the amendment, and no one has yet been able to tell the Senate exactly what it means.

Mr. President, as I have said, I do not desire to detain the Senate from a vote on the amendment, but I do wish to say that the debate on it reminds me of only one thing I have ever heard about in my life, and that is a famous story told by that great American, Woodrow Wilson, concerning a fellow who went to see his "gal" and stayed kind of late. He finally came out and mounted several horses and rode off in all directions. [Laughter.] So the present status of the O'Daniel amendment is that its proponents have mounted a number of different horses and ridden off in a number of different directions. Therefore, Mr. President, I suggest the absence of a quorum. [Laughter.]

The PRESIDING OFFICER (Mr. HATCH in the chair). The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Ferguson	Nye
Austin	George	O'Daniel
Bailey	Gerry	Overton
Ball	Gillette	Radcliffe
Bankhead	Green	Reed
Barbour	Guffey	Revercomb
Bilbo	Gurthey	Robertson
Bone	Hatch	Russell
Brewster	Hayden	Scruggam
Bridges	Hill	Shipstead
Brooks	Holman	Stewart
Buck	Johnson, Colo.	Taft
Burton	Kilgore	Thomas, Okla.
Bushfield	La Follette	Thomas, Utah
Butler	Langer	Tobey
Capper	Lodge	Tunnell
Caraway	Lucas	Tydings
Chandler	McClellan	Vandenberg
Chavez	McFarland	Van Nuys
Clark, Idaho	McNary	Wagner
Clark, Mo.	Maloney	Walsh
Connally	Maybank	Wheeler
Danaher	Mead	Wherry
Davis	Millikin	White
Eastland	Moore	Wiley
Ellender	Murdock	

The PRESIDING OFFICER. Seventy-seven Senators having answered to their names, a quorum is present.

The question is on agreeing to the amendments offered by the Senator from

Texas [Mr. O'DANIEL] to the committee amendment, as amended. Without objection, the amendments will be considered en bloc. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. McNARY (when his name was called). Referring again to my pair with the senior Senator from Kentucky [Mr. BARKLEY], I am advised that if he were present he would vote as I am about to vote, and I vote "nay."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Kentucky [Mr. BARKLEY], the Senator from Virginia [Mr. GLASS], the Senator from Tennessee [Mr. McKELLAR], and the Senator from South Carolina [Mr. SMITH] are absent from the Senate because of illness.

The Senator from Nevada [Mr. McCARRAN] is absent conducting hearings in the West on behalf of the Senate.

The Senator from Missouri [Mr. TRUMAN] and the Senator from Washington [Mr. WALLGREN] are out of the city conducting hearings on behalf of the Special Committee to Investigate National Defense.

The Senator from Montana [Mr. MURRAY] is absent on official business for the Special Committee To Study and Survey Problems of Small Business Enterprises. I am advised that if present and voting, he would vote "yea."

The Senator from Virginia [Mr. BYRD] is unavoidably detained.

The Senator from Florida [Mr. PEPPER] is detained on important public business.

The Senator from Wyoming [Mr. O'MAHONEY] and the Senator from North Carolina [Mr. REYNOLDS] are necessarily absent.

Mr. McNARY. The junior Senator from Idaho [Mr. THOMAS] was called from the Chamber on official business. He has a pair with the junior Senator from Florida [Mr. FEPPER]. If the Senator from Idaho were present he would vote "nay." I am not advised how the Senator from Florida would vote if present.

I announce that the Senator from Indiana [Mr. WILLIS] is necessarily absent.

The Senator from New Jersey [Mr. HAWKES] has a general pair with the Senator from Virginia [Mr. BYRD]. Both of these Senators are necessarily absent.

The result was announced—yeas 29, nays 48, as follows:

YEAS—29

Bone	Johnson, Colo.	Russell
Caraway	La Follette	Scruggam
Chavez	Langer	Shipstead
Connally	McClellan	Thomas, Okla.
Eastland	McFarland	Thomas, Utah
Ellender	Maybank	Tydings
Green	Mead	Wagner
Guffey	Murdock	Wheeler
Hayden	O'Daniel	Wiley
Hill	Overton	

NAYS—48

Aiken	Brooks	Danaher
Austin	Buck	Davis
Bailey	Burton	Ferguson
Ball	Bushfield	George
Bankhead	Butler	Gerry
Barbour	Capper	Gillette
Bilbo	Chandler	Gurney
Brewster	Clark, Idaho	Hatch
Bridges	Clark, Mo.	Holman

Kilgore	Nye	Tobey
Lodge	Radcliffe	Tunnell
Lucas	Reed	Vandenberg
McNary	Revercomb	Van Nuys
Maloney	Robertson	Walsh
Millikin	Stewart	Wherry
Moore	Taft	White

NOT VOTING—19

Andrews	McCarran	Thomas, Idaho
Barkley	McKellar	Truman
Byrd	Murray	Wallgren
Downey	O'Mahoney	Willis
Glass	Pepper	Wilson
Hawkes	Reynolds	
Johnson, Calif.	Smith	

So Mr. O'DANIEL's amendments to the committee amendment, as amended, were rejected.

The PRESIDING OFFICER. The question recurs on the committee amendment, as amended.

Mr. CONNALLY. Mr. President, I understand the Senator from Georgia wishes to offer a perfecting amendment.

Mr. GEORGE. I have one other amendment to offer, Mr. President. I send the amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 100, after the period in line 20, it is proposed to insert "That portion of the compensation which is received or accrued in the taxable year 1942 (if the tax for such year is less than that for the taxable year 1943), or in the taxable year 1943 (if the tax for such year is equal to or less than that for the taxable year 1942), and which under section 107 of the Internal Revenue Code is, for the purposes of that section, attributed to the base year, shall for the purposes of this subsection be excluded in computing the surtax net income for the taxable year 1942 or 1943, as the case may be, and be included in computing the surtax net income for the base year."

Mr. GEORGE. Mr. President, I do not think there can be any valid objection to the amendment from the standpoint of equity. All the amendment means is that, under section 107 of the Internal Revenue Code, a taxpayer—for instance, an author who has worked for a number of years, more than 3, 36 months or more—in the production of a particular work, and who receives in 1 year more than 80 percent of the compensation for that work, may spread or prorate the compensation over the period of time in which the actual creative work was in progress—in other words, the time when the bonus or royalty or fee or what not was being earned.

All the amendment means is simply that with respect to the second windfall provision if an unusually large fee or compensation has been received by a person who has spread the work represented by the fee over a period of 3 years or more, in determining his base year income, plus \$10,000 which is provided under the second windfall provision, it shall be taken into account if such income is attributable to a base year, for the purpose of increasing the base or normal year's income.

That is all the amendment would do, and I hope it will be agreed to.

Mr. OVERTON. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. OVERTON. Would the amendment apply to extra earnings, all of which were earned and accrued during the year 1942?

Mr. GEORGE. Oh, no; only if the period in which they were earned went back into 1938, 1939, or 1940, and only if the work extended over a period of at least 3 years or more.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Georgia [Mr. GEORGE] to the committee amendment as amended.

The amendment to the committee amendment, as amended, was agreed to.

Mr. CONNALLY. Mr. President, I am going to make a speech which ought to draw some applause. [Laughter.] The amendment I have offered is what is known as the House Ways and Means Committee bill.

Mr. CLARK of Missouri. The one reported on what date?

Mr. CONNALLY. Reported on April 30, let me say to the Senator from Missouri, if that date has not yet permeated his intellect. I hammered it into it some time earlier in the day. [Laughter.]

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. CLARK of Missouri. I am always glad to accept the Senator's designation of the bill on which we are asked to vote. However, I think he should always specify the date—either January 5, February 15, April 15, or April 30—the various dates of the House Ways and Means Committee bill and the Doughton bill; because there are various versions, and we should be able to tell which one is meant.

Mr. CONNALLY. That is right; the Rumpl plan shot it in the pants so often that every time it scratched it had to get a new place to scratch. [Laughter.]

Mr. President, my plan is the current-payments plan, the same as is the Finance Committee plan or the Rumpl plan. My plan provides for withholding at the source, the same as does the Finance Committee plan and the Rumpl plan. Under my plan, people who want to withhold can withhold, and can do so on the basis of the same rates of exemption which applied for 1941. My plan provides for a 3-year period for payment of the tax.

However, my plan would forgive only \$4,500,000,000, instead of the \$9,000,000,000 which would be forgiven under the Rumpl plan. The forgiveness would be distributed more fairly under my plan than under any of the other plans of which I am aware, because under my plan all the forgiveness would not be given to the large taxpayers.

For instance, under my plan a man with an income of \$1,000,000 would get a rebate of \$121,000. Under the House plan he would get a rebate of \$189,000; under the plan of the Senator from Georgia he would get a rebate of \$624,000; and under the Rumpl plan he would get a rebate of \$854,000.

Mr. President, I do not want to take up any more of the Senate's time, and I ask for the yeas and nays on my amendment. The amendment has been printed in the Record earlier in today's proceedings.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Texas [Mr. CONNALLY] on which the yeas and nays have been demanded.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. McNARY (when his name was called). On this vote I have a pair with the senior Senator from Kentucky [Mr. BARKLEY]. If the Senator from Kentucky were present he would vote "yea." I transfer my vote to the junior Senator from Indiana [Mr. WILLIS], and will vote. I vote "nay." If the Senator from Indiana were present, he would vote "nay."

The roll call was concluded.

Mr. CONNALLY. Mr. President, the Senator from Virginia [Mr. BYRD] has asked me to state that on the amendment he is paired with the junior Senator from New Jersey [Mr. HAWKES]. If the Senator from Virginia were present, he would vote "yea"; and if the Senator from New Jersey were present, he would vote "nay."

Mr. HILL. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Kentucky [Mr. BARKLEY], the Senator from Virginia [Mr. GLASS], the Senator from Tennessee [Mr. McKELLAR], and the Senator from South Carolina [Mr. SMITH] are absent from the Senate because of illness.

The Senator from Nevada [Mr. McCARRAN] is absent conducting hearings in the West on behalf of the Senate.

The Senator from Missouri [Mr. TRUMAN] and the Senator from Washington [Mr. WALLGREN] are out of the city conducting hearings on behalf of the Special Committee to Investigate the National Defense Program.

The Senator from Montana [Mr. MURRAY] is absent on official business for the Special Committee to Study and Survey Problems of Small Business Enterprises. I am advised that, if present and voting, he would vote "yea."

The Senator from Florida [Mr. PEPPER] is detained on important public business.

The Senator from Wyoming [Mr. O'MAHONEY] is necessarily absent.

I further announce that the Senator from Florida [Mr. ANDREWS] is paired with the Senator from Tennessee [Mr. McKELLAR]. I am advised that if present and voting, the Senator from Florida would vote "nay," and the Senator from Tennessee would vote "yea."

The Senator from Virginia [Mr. GLASS] is paired with the Senator from Nevada [Mr. McCARRAN]. I am advised that, if present and voting, the Senator from Virginia would vote "yea," and the Senator from Nevada would vote "nay."

Mr. McNARY. Mr. President, referring to my previous announcement, if the junior Senator from Idaho [Mr. THOMAS] were present, he would vote "nay."

The Senator from California [Mr. JOHNSON] is absent because of illness.

The result was announced—yeas 29, nays 50, as follows:

YEAS—29

Bankhead	Hayden	Russell
Bilbo	Hill	Scruggs
Bone	Kilgore	Shipstead
Caraway	La Follette	Stewart
Connally	Langer	Thomas, Okla.
Downey	McClellan	Thomas, Utah
Eastland	McFarland	Tydings
Ellender	Maybank	Wagner
Green	Mead	Wheeler
Guffey	Murdoch	

NAYS—50

Aiken	Danaher	O'Daniel
Austin	Davis	Overton
Bailey	Ferguson	Radcliffe
Ball	George	Reed
Barbour	Gerry	Revercomb
Brewster	Gillette	Reynolds
Bridges	Gurney	Robertson
Brooks	Hatch	Taft
Buck	Holman	Tobey
Burton	Johnson, Colo.	Tunnell
Bushfield	Lodge	Vandenberg
Butler	Lucas	Van Nuys
Capper	McNary	Walsh
Chandler	Maloney	Wherry
Chavez	Millikin	White
Clark, Idaho	Moore	Wiley
Clark, Mo.	Nye	

NOT VOTING—17

Andrews	McCarran	Thomas, Idaho
Barkeley	McKellar	Truman
Byrd	Murray	Wallgren
Glass	O'Mahoney	Willis
Hawkes	Pepper	Wilson
Johnson, Calif.	Smith	

So Mr. CONNALLY's amendment in the nature of a substitute for the committee amendment, as amended, was rejected.

Mr. BANKHEAD. Mr. President, I assume that we have now reached the stage of voting on the substitution of the Senate committee plan for the bill as it passed the House. Unless Senators wish to present other amendments, I should like to go directly to that question.

The PRESIDING OFFICER. The question now is on agreeing to the amendment of the committee in the nature of a substitute, as amended.

Mr. BANKHEAD. Mr. President, I offer an amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Alabama will be stated.

The CHIEF CLERK. On page 88, at the beginning of line 17, it is proposed to strike out through line 14, on page 104, and insert in lieu thereof the following:

SEC. 5. Current payment of basic tax not withheld at source.

(a) In general: The Internal Revenue Code is amended by striking out sections 58, 59, and 60, and inserting in lieu thereof the following:

"SEC. 58. Declaration of estimated basic tax by individuals.

"(a) Requirement of declaration: Every individual (other than an estate or trust and other than a nonresident alien subject to withholding under section 143 (b)) shall, at the time during the taxable year prescribed in subsection (d), make a declaration of his estimated basic tax for the taxable year if his gross income from sources other than wages (as defined in section 1621)—

"(1) in case such individual is single or married but not living with husband or wife; can reasonably be expected to exceed \$100 for the taxable year and his gross income to be such as will require the making of a return for the taxable year under section 51; or did exceed \$100 for the preceding taxable year and such individual either was required

to make a return under section 51 for such preceding taxable year or would have been so required if he had been single during the whole of such preceding taxable year; or

"(2) in case such individual is married and living with husband or wife; can when added to the gross income which can reasonably be expected to be received by husband or wife from such sources, reasonably be expected to exceed \$100 for the taxable year and the aggregate gross income of such husband and wife can reasonably be expected to be such as will require the making of a return under section 51; or did, when added to the gross income of such husband or wife from such sources for the preceding taxable year, exceed \$100 for such preceding taxable year and such individual would have been required to make a return under section 51 for such preceding taxable year if he had been married and living with husband or wife during the whole of such preceding taxable year.

"(b) Contents of declaration: In the declaration required under subsection (a) the individual shall state—

"(1) the amount by which his estimated net income for the taxable year exceeds the greater of the following:

"(A) the amount of his estimated wages as defined in section 1621, the withheld tax on which is allowable as a credit for such taxable year under sections 35 and 466 (e);

"(B) the amount of his estimated aggregate amount of the credits for the taxable year allowable under section 25 (b);

"(2) the amount equal to 20 percent of the amount determined under paragraph (1), which for the purpose of this chapter shall be held and considered to be the estimated basic tax for the taxable year."

The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

"(c) Joint declaration by husband and wife: In the case of a husband and wife living together, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated basic tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint return is not made for the taxable year, the estimated basic tax for such year may be treated as the estimated basic tax of either the husband or the wife, or may be divided between them.

"(d) Time and place for filing: The declaration required under subsection (a) shall be filed on or before the 15th day of the third month of the taxable year, except that if the requirements of subsection (a) are first met after such date, the declaration shall be filed on or before the 15th day of the last month of the quarter of the taxable year in which such requirements are first met. An individual may make amendments or revisions of a declaration filed under this subsection, under regulations prescribed by the Commissioner with the approval of the Secretary. If so made, such amendments or revisions shall be filed on or before the 15th day of any quarter of the taxable year subsequent to that in which the declaration was filed and in which no previous amendments or revisions have been made or filed. Declarations and amendments and revisions thereof shall be filed with the collector specified in section 53 (b) (1).

"(e) Extension of time: The Commissioner may grant a reasonable extension of time for filing declarations, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than 6 months.

"(f) Persons under disability: If the taxpayer is unable to make his own declaration, the declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

"(g) Signature presumed correct: The fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

"SEC. 59. Payment of estimated basic tax.

"(a) In general: The estimated basic tax shall be paid in four equal installments except that

"(1) if the declaration is filed (otherwise than pursuant to an extension of time) after the fifteenth day of the third month of the taxable year, the estimated basic tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year (including the quarter in which the declaration is filed); and

"(2) if any amendment or revision of a declaration is filed, the remaining installments shall be ratably increased or decreased, as the case may be, to reflect the increase or decrease, as the case may be, in the estimated basic tax by reason of such amendment or revision; and

"(3) at the election of the individual, any installment of the estimated basic tax may be paid prior to the date prescribed for its payment.

Payment of the estimated basic tax shall be considered payment on account of the tax for the taxable year.

"(b) Assessment: The estimated basic tax shall be assessed only to the extent paid.

"SEC. 60. Special rules for application of sections 58 and 59.

"(a) Farmers: In the case of an individual whose estimated gross income from farming for the taxable year is at least 80 percent of the total estimated gross income from all sources for the taxable year, in lieu of the time prescribed in section 58 (d), the declaration for the taxable year may be made at any time on or before the fifteenth day of the last month of the taxable year.

"(b) Application to short taxable years: The application of sections 58, 59, and 294 (a) (3), (4), and (5) to taxable years of less than 12 months shall be as prescribed in regulations prescribed by the Commissioner with the approval of the Secretary.

"(c) Application to taxable years beginning in 1943: If the taxable year is the calendar year 1943, the 15th day of September 1943 shall be substituted for the 15th day of March for the purposes of section 58 (d). If the taxable year begins in 1943 after January 1, the date which shall be substituted for the 15th day of the third month of the taxable year for the purposes of section 58 (d) shall be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary."

"(b) Additions to tax: Section 294 (a) of the Internal Revenue Code (relating to additions to tax in case of nonpayment) is amended by inserting at the end thereof the following:

"(3) Failure to file declaration of estimated basic tax: In the case of a failure to make and file a declaration of estimated basic tax within the time prescribed, there shall be added to the tax \$10 or an amount equal to 10 percent of the tax, whichever is the greater.

"(4) Failure to pay installment of estimated basic tax: In the case of the failure to pay an installment of the estimated basic tax within the time prescribed, there shall be added to the tax \$250 or 2½ percent of the tax, whichever is the greater, for each installment with respect to which such failure occurs.

"(5) Substantial underestimate of estimated basic tax: If 16 percent in the case of individuals other than farmers exercising an election under section 60 (a), or 13½ percent in the case of such farmers, of the net income in excess of the amount of wages as defined in section 1621 (the withheld tax on which is allowable as a credit under sections 35 and 466 (e)), or the amount of the credits against net income allowable under section 25 (b), whichever is the greater, exceeds the estimated basic tax, there shall be added to the tax an amount equal to 6 percent of such excess."

(c) Penalties: Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after "return" wherever appearing therein the words "or declaration", and (2) by inserting before "tax" wherever appearing therein the words "estimated basic tax or".

(d) Payment of tax: Section 56 (b) of the Internal Revenue Code is amended to read as follows:

"(b) Installment payments.—

"(1) Corporations, estates and trusts, etc.: In the case of (A) a corporation, (B) a trust, (C) an estate, or (D) a nonresident alien subject to withholding under section 143 (b), the taxpayer may elect to pay the tax in four equal installments, in which event the first installment shall be paid on the date prescribed for the payment of the tax by the taxpayer, the second installment shall be paid on the 15th day of the third month, the third installment on the 15th day of the sixth month, and the fourth installment on the 15th day of the ninth month after such date.

"(2) Other individuals: In the case of all other individuals, the taxpayer may elect to pay the tax in four installments in which event the first installment shall be an amount equal to the sum of the following:

"(A) the basic tax;

"(B) one-fourth of the amount by which the tax imposed by this chapter computed without regard to the credit provided in section 466 (e) exceeds the basic tax.

The amount of the first installment as computed hereunder shall be reduced by the sum of the amount of the credit allowable under sections 35 and 466 (e) plus the amount of estimated basic tax paid during the taxable year and in case such sum is equal to or in excess of the amount of the first installment as computed hereunder, but is less than the tax imposed by this chapter (computed without regard to the credit allowable under sections 35 and 466 (e)) such sum shall constitute the amount of the first installment. The amount of an installment other than such first installment shall be one-third of the difference between the tax imposed (computed without regard to the credit allowable under sections 35 and 466 (e) and the amount of such first installment. The first installment shall be paid on the date prescribed for the payment of the tax by the taxpayer, and the balance of the tax shall be paid in three equal installments, the second installment on the 15th day of the third month, the third installment on the 15th day of the sixth month, and the fourth installment on the 15th day of the ninth month, after such date.

"(3) Definition of basic tax: For the purposes of paragraph (2) of this subsection the term 'basic tax' means—

"(A) in the case of a taxpayer making a return under Supplement T, the sum of (i) the tax imposed under section 400, (ii) the tax imposed under section 450 (adjusted for the credit allowable under section 453) and (iii) any additions to the tax for which the taxpayer is liable under the provisions of section 294 (a) (3), (4), and (5).

"(B) in the case of all other taxpayers to which paragraph (2) of this subsection is applicable, the sum of (i) the normal tax imposed under section 11, (ii) an amount equal to a percentage of the surtax net in-

come at the first bracket rate of surtax, (iii) the tax imposed under section 450 (adjusted for the credit allowable under section 453), and (iv) any additions to the tax for which the taxpayer is liable under the provisions of section 294 (a) (3), (4), and (5).

If any installment is not paid on or before the date fixed for its payment, the whole amount of the tax unpaid is to be paid upon notice and demand from the collector."

(e) Taxable years to which applicable: The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1942.

Sec. 6. Relief from double payments in 1943.

(a) Effective date: This section shall be applicable with respect to taxable years beginning in 1942 but shall not take effect until September 1, 1943.

(b) In general: In the case of an individual who makes a return for a taxable year beginning in 1942, the tax imposed under chapter 1 of the Internal Revenue Code shall, in lieu of that otherwise imposed, be the tax computed without regard to this section less an amount equal to the sum of the normal tax plus 13 percent of the surtax net income for such year.

(c) Supplement T taxpayers: In the case of an individual who makes a return for the calendar year 1942 under Supplement T, the liability for the tax imposed under section 400 of the Internal Revenue Code for such year is canceled and discharged.

(d) Short taxable years: The provisions of this section shall not apply to any taxable year which consists of a period of less than 12 months.

(e) Reduction where credit for foreign tax: In computing the amount by which the tax is reduced under subsection (b) the tax imposed under chapter 1 of the Internal Revenue Code shall be the tax imposed under said chapter prior to its diminution by credit available to the taxpayer under sections 31 and 131 of such chapter. In computing the net tax liability for any such taxable year the amount of such credit shall be computed after taking into account the reduction in tax effected by this section.

(f) Individuals excluded: The provisions of this section shall not apply to (A) an estate, (B) a trust, (C) a nonresident alien subject to withholding under section 143 (b) of the Internal Revenue Code.

(g) Refund or credit of reduction in tax: The amount by which the tax is reduced under subsections (b) and (c) of this section shall, if the taxpayer elects to pay the tax installments, be prorated to the four installments of such tax. The amount so prorated to the installments of the tax falling due after September 1, 1943, shall be applied in reduction of each such installment.

(h) Treatment of payments prior to September 1, 1943, of amounts by which 1942 tax reduced: Any payment (other than interest and additions to the tax) made prior to September 1, 1943 (or on or after such date pursuant to any extension of time granted by the Commissioner before such date), of an amount by which the tax imposed under chapter 1 of the Internal Revenue Code is reduced under subsection (b) or (c) of this section for a taxable year beginning in 1942 shall be held and considered as a payment on account of the estimated basic tax for the taxable year beginning in 1943. In the case of any extension of time for the payment of such tax granted by the Commissioner prior to September 1, 1943, payment of the portion thereof which, if such extension had not been granted, would have been payable under section 56 (b) prior to September 1, 1943, shall be paid notwithstanding subsections (b) or (c) of this section.

Mr. BANKHEAD. Mr. President, the amendment which I have offered is intended to bring the House bill into line with the Senate committee amendment

on the two subjects covered by the amendment, namely, relief from doubled payments and current payment for basic taxes not paid at the source. The author of the bill in the House thought that the Senate committee provision on these two subjects was preferable to the House bill, and in order to have the issue presented squarely on the subject of double payments, whether they should be made in part or entirely, and on the subject of current payments of basic taxes not paid at the source, this amendment is proposed, substituting for sections 4 and 5 of the House bill sections 5 and 6 of the Senate committee bill.

In brief, Mr. President, this is what is known as the Robertson bill, which, as we all know, passed the House and is the basis of the pending measure.

At this late hour I shall not enter upon a detailed discussion of the provisions of that bill. I think it is unfortunate that this issue has not had more attention, and has not been more fully considered by this body before reaching the stage of a final vote.

Mr. President, as we all know, there are two fundamental subjects in question. One of them is the importance of the collection of the tax at its source—the pay-as-you-go or pay-as-you-earn plan—at the same time bringing as many taxpayers as possible into a position of currency, so that they will not be liable for obligations carried over to make their payments current. In order to save time, I wish to take the liberty of reading a rather brief statement—

Mr. CLARK of Missouri. Mr. President, before the Senator does so, will he permit me to ask him a question?

Mr. BANKHEAD. Certainly.

Mr. CLARK of Missouri. As I understand the purpose of the Senator's amendment, the Senator is proposing, in essence, the House bill, the so-called Robertson bill—not the Ways and Means Committee bill in the House, but the bill finally passed by the House—as a substitute for the Senate committee amendment.

Mr. BANKHEAD. That is the effect of it. The Senator understands that the House bill cannot be displaced without a vote.

Mr. CLARK of Missouri. I understand. The Senator will give me credit for understanding that the Senate committee amendment would have to be adopted to displace the House bill. However, if I understand what the Senator is proposing to do, as I see it, it is the somewhat redundant proposition of offering the House bill as a substitute for the Senate committee amendment to the House bill. If so, let me say that I welcome that issue, because we did not find a single member of the Finance Committee, Democrat or Republican—

Mr. BANKHEAD. Mr. President, I think the Senator ought to allow me to make my statement, rather than to make an argument.

Mr. CLARK of Missouri. The Senator can cut me off at any time he desires to do so.

Mr. BANKHEAD. I do not wish to cut the Senator off.

Mr. CLARK of Missouri. I was about to say that not a single Senator on the Finance Committee ever raised his voice in favor of the bill to which the Senator refers, and I am glad to have the issue raised here.

Mr. BANKHEAD. That raises the issue as to whether we will pass the measure reported by the Senate committee, which is known generally as the Ruml plan, or whether we will stand by the bill which was passed by the House, with the changes in the House bill which I have indicated by my amendment.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

Mr. BANKHEAD. I yield.

Mr. LA FOLLETTE. As I understand, the Senator from Alabama is not doing exactly what I gained the impression the Senator from Missouri thought he was doing. He is not trying to obtain a preliminary vote on the House bill as it passed the House, as against the Senate committee amendment.

Mr. BANKHEAD. No.

Mr. LA FOLLETTE. What the Senator is trying to do, if I correctly understand, is to take the so-called improvements which the Senate committee has made in the withholding features of the House bill and embody the fundamental principle of the House bill in connection with those improved withholding features. Is that correct?

Mr. BANKHEAD. That is exactly correct. With that preliminary statement, we may understand that the vote about to be taken is on a choice between two programs because the amendment proposes to substitute fundamentals not contained in the Senate committee bill with respect to the amount to be paid, the method of payment, as well as the time of collection.

Mr. President, I am not an expert, as all Senators know, nor a technician on tax questions, but one of the authors of the bill made a statement in the CONGRESSIONAL RECORD of May 3, 1943, a portion of which, merely for explanation of the provisions of the bill, I read:

Under the plan the gentleman from Rhode Island, Representative FORAND, will offer tomorrow—

That is the one now pending before us—

90 percent of the taxpayers are put on a completely current basis and approximately 99 percent are put in a position of at least 75 percent currency. This degree of currency is achieved without any doubling up of tax payments or any interruption of the flow of tax money into the Treasury. Moreover, the great inequities resulting from the complete forgiveness of a year's tax liability contemplated in the Ruml-Carlson bill are avoided. Tax forgiveness under H. R. 2577 operates equitably to confer on all taxpayers an equal amount of tax reduction for 1942 in proportion to their respective net incomes, whereas the eventual benefit which would result from the tax forgiveness under the Ruml-Carlson bill would be heavily weighted in favor of persons with large incomes.

The statement continues:

The plan of H. R. 2577 is, briefly, as follows: Individual income tax liability would be divided into two parts, the great bulk payable currently, and the balance payable in the year following the receipt of income. The

amount paid currently, whether it be by withholding and collection at the source or by quarterly payments of estimated liability on the basis of an annual declaration, would approximate the basic tax for which all taxpayers are liable, namely, the 6 percent normal tax, plus the surtax at the first bracket rate of 13 percent, and the net Victory-tax liability. The balance of the tax liability not covered by the current collection at the source or quarterly payments would be payable as under existing law in the year following the receipt of income. In order to achieve this currency the basic tax on 1942 individual income would be canceled. This would avoid doubling up of payments, since the portion of tax liability canceled for 1942 is comparable to that part of the 1943 tax which is collected currently. That part of the first two 1943 quarterly payments—on 1942 incomes corresponding to the basic tax for that year—would be considered a payment with respect to 1943 liabilities.

He then proceeds to state the advantages of the plan which, to my mind, are sound, but I shall not detain the Senate longer by reading them. I recognize that there is very little interest in those particular points. Senators have made up their minds.

Mr. President, it is evident—and it has been so stated on both sides of the Chamber, and we are here at this late hour because of that general understanding—that unless there be great speed in getting the pending bill to the White House, or whatever bill may be passed and approved, we may as well abandon the whole effort. It will be too late, as stated by the senior Senator from Michigan, and I think by the senior Senator from Georgia. At least, we have been so assured on the highest authority, and we all believe it to be true. We are therefore gladly waiting here now to complete action upon the bill.

What is the situation from the realistic standpoint? The Ruml plan was before the House on two occasions. It was defeated both times. The last time it was defeated by a close vote, but it was defeated. There will be conferees on the House side. No one is authorized to speak for them, but we are familiar with the public declarations which have been made by those who will be conferees. We know of his hostile attitude from many expressions of the great chairman of the committee who will be the head of the House conferees. In the attitude he is likely to assume on the subject, he has the endorsement and support of the Members of the House who took action upon the bill which is now pending before the Senate.

As realistic, practical, and sensible men should we expect any quick action which will bring about an agreement in the House upon the bill, for a complete and satisfactory abatement of a year's tax? If the conferees of the House do not accede to the Senate's attitude, is there any reason to believe that a vote in the House would force them to vote against the previous action of the House on the subject?

On the other hand, it is likely that the Senate conferees will not readily recede from the position taken by the Senate if it shall vote for 100-percent abatement. Then where shall we stand?

Everyone recognizes the importance of having a pay-as-you-go law.

According to the Treasury Department, if my amendment shall be agreed to by the House conferees, the Government would receive in 1943 the same amount of money it would receive under the present law. So there would be no reduction in the income of the Treasury. The adoption of my amendment would result in placing 90 percent of all taxpayers upon a current basis; 6 percent would be placed almost on a current basis. Practically 96 percent would be placed upon the pay-as-you-go basis. Here is a compromise that was worked out on the House side after not only weeks, but months of serious and earnest effort by the members of the Ways and Means Committee and by the votes in the House itself upon the various phases of pay-as-you-go legislation.

The House would not vote for the complete abatement of a year's tax; it would not vote for the committee bill presented by the Ways and Means Committee, which provided for some abatement, but not nearly so much as the other bill. So this is the only bill on which a majority vote in the House could be secured, after literally months of trial and effort, and then it was passed by a vote of 313 to 85. That is the support the bill I am now advocating finally had in the House, after various other bills had been presented and rejected.

Is it important enough to get on a pay-as-you-go basis to make some concessions in the amount to be abated? Most of us, certainly a majority in the Senate, believe that there should be substantial abatement. There are strong reasons for it. The people were not advised in time that this program was going to be imposed upon already existing taxes to enable them to adjust their finances and adjust their savings accounts accordingly. Millions of voters who never before paid taxes were brought under the operation of the tax. So there are equitable reasons, in the interest of the taxpayers, for not forcing double payments upon them. There are economic reasons why it should not be done. So I stand firmly for the idea that there should be substantial abatement if we are to impose additional burdens and bring about the payment of taxes now in addition to the taxes already levied for 1942.

What amount should it be? The Ruml advocates say 100 percent. The Senator from Texas, with a large support behind him, says not a dime. All agree we should get on a pay-as-you-go basis.

Should we stand in stubbornness, should we take a position that this desirable result must be accomplished in the way that each individual stands for or shall not be accomplished at all?

I heard the views expressed by the distinguished Senator from Colorado [Mr. JOHNSON], for whom I have the greatest respect. He said that he preferred no abatement or complete abatement, and was not entirely satisfied as between them. He is a man of ability, a member of the committee, a man of sincerity and of good judgment. If Members of the Senate occupy a position of "all or none" in the matter of abatement, in order to

bring about a pay-as-you-go system, how can we expect to accomplish real legislation on the subject? I have pointed out the difficulty which would come in the conference on the bill, if it should get to conference. The political issue has also been raised in the debate. We heard the distinguished Senator from Washington and the distinguished Senator from Texas, and perhaps others—whether they said it or not, we know they have thought it—raise the question as to what the people were going to do in the next election to those who voted for the Ruml program, with its complete abatement.

We have not heard the matter made a political issue on the other side of the aisle, but we have seen Senators on that side vote practically as a unit for the Ruml plan. We have seen the Republicans in the House vote practically as a unit for the Ruml plan. I am not criticizing them for it. I believe in responsible party Government, and if the Republican Party desire to take a position, as they have evidently done in this matter, without declaring it, and if they feel that is the right position for them to take, and that is a philosophy which is consistent with their political principles, I have no criticism of them for taking the position; but they have taken it, and no one will deny it. We have seen all sorts of publications about the Republican leadership in the House and elsewhere calling upon the Republican Party to acquiesce in the Ruml plan. They have that right.

Who knows what is going to happen after we send the Ruml plan to the White House? I have no right to speak for the President, and I have heard nothing from him or from any person who has any right to speak for him on the Ruml plan, but it has been intimated and stated in various quarters that if the Ruml plan went to the President he was likely to veto it. I do not know whether he would or not. We know the possibility of such action on his part. When he reads or hears of the speeches made here, about those who have made millions getting away without paying any tax, I do not know what he will do. If he vetoes the bill, where will we stand with reference to getting on a pay-as-you-go basis? Every sensible man knows the President's veto could not be overridden. Not so long ago I tried to have overridden a veto having to do with another subject, and found it was not so easy to accomplish. But certainly with the votes in the House about evenly divided, and with not two-thirds of the Members of this body supporting the Ruml plan, could anyone think, with any reasonable expectations, that a veto could be overridden?

Then the issue would go into the election. That result may be desired by our friends across the aisle, I do not know. There are some able men, some smart men, some fine politicians, over there, and they may seek such an issue on which to go to the country. But I think it is unhappy and unfortunate to have a political party division on a fundamental tax question, on the principles of which we are in complete accord. The difference is as to the amount of abatement

to the different taxpayers in order to bring about the desired result.

Mr. OVERTON. Mr. President—

The PRESIDING OFFICER (Mr. RUSSELL in the chair). Does the Senator from Alabama yield to the Senator from Louisiana?

Mr. BANKHEAD. I am glad to yield.

Mr. OVERTON. The Senator states that our friends across the aisle are in favor of the Ruml plan, and so far have voted practically as a unit on various amendments, with a view to adopting the Ruml plan.

Mr. BANKHEAD. Has not the Senator been so impressed?

Mr. OVERTON. I have been, and I am impressed by another fact which I should like to call to the attention of the Senator. There was an amendment proposed by the junior Senator from Texas [Mr. O'DANIEL] which I supported, and which I think the Senator from Alabama supported.

Mr. BANKHEAD. I did.

Mr. OVERTON. That amendment removed all objectionable features; that is, under the amendment there would be no double taxation, and there would be no abatement. It incorporated a feature which all agreed upon—

Mr. BANKHEAD. It would treat all alike.

Mr. OVERTON. It provided for collection at the source or withholding taxes. That amendment was voted down. Does not the Senator think it is just as well for us to surrender now to the Republican Party, as we are probably going to do in 1944 anyway?

Mr. BANKHEAD. No; we will not surrender.

Mr. OVERTON. I do not know about that.

Mr. BANKHEAD. No; we will not surrender, but we certainly have a political issue here, according to the declarations of other people.

I regret that sort of an issue. It has been raised, first, by declaration, and will be completed by vote when we finish our action in the Senate. It may be completed further if the Senate conferees shall ever succeed in pushing the bill past the House conferees, and having it sent to the White House. But, Mr. President, I should like to know how any Senator who understands the true situation thinks that can be done? The House was divided on the question by a very close vote. A majority of the Members of the House have always voted against the Ruml plan. The House bill before us was adopted by a vote of 333 to 85. I should like to know what Senator really thinks the Senate conferees will succeed in wresting a conference report from the House conferees which carries with it the Ruml plan, and will even get it started to the White House? No, Mr. President; this question will again be tied up in conference.

I wanted to expedite this proposed legislation as much as possible, but I have agreed to expedition with the full knowledge that the haste is a false haste, that, in my opinion, the Senate conferees are not going to obtain a favorable

report for their plan from the House conferees during this week.

Mr. President, I am not seeking to tie up the conferees. I am not bitterly opposed to the large abatement contained in the so-called Ruml bill, though I think it goes entirely too far, but I have been in favor of a substantial abatement all the way through from beginning to end. I favored this plan 6 or 8 weeks ago. I declared for it at a luncheon meeting of the Alabama delegation 6 or 8 weeks ago. So I am taking no new position with respect to the matter. I have been bewildered, as other Senators have been, by this debate. I have been rather confused and made uncertain. If it were not for the fact that the Ruml plan was so completely rejected by the House, and that a majority of the conferees who will act on the part of the House will be supported by a majority of the House Members who are bitterly opposed to that plan, it is possible I would not have pursued the subject to the extent I am now pressing it. But I beg of the Senate to act on this question without political feeling. I beg of the Members of the Senate, who realize the importance of establishing a pay-as-you-earn basis, to give up personal and individual views to the extent of working out a compromise such as the House worked out and adopted by an overwhelming vote.

Mr. President, if Senators believe they can secure a favorable conference report and get the measure signed, or if through pride of opinion or by reason of political party allegiance, they persist in going ahead, as all indications show they are determined to do, then there is of course no recourse, unless the issue shall go to the American people.

Mr. President, I ask unanimous consent to have printed in the RECORD at the end of my remarks tables 3 and 4 taken from Representative ROBERTSON's address to the House, which appear on page 3910 of the CONGRESSIONAL RECORD.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

TABLE 3.—Amount of tax that would be forgiven under H. R. 2577

MARRIED PERSON—NO DEPENDENTS

Net income before personal exemption ¹	Income tax, present law ²	Amount forgiven ³
\$1,200.....		
\$1,500.....	\$48	\$48
\$1,800.....	103	103
\$2,000.....	140	140
\$2,500.....	232	232
\$3,000.....	324	324
\$4,000.....	532	508
\$5,000.....	746	692
\$6,000.....	992	876
\$8,000.....	1,532	1,244
\$10,000.....	2,152	1,612
\$15,000.....	4,062	2,538
\$20,000.....	6,452	3,488
\$25,000.....	9,220	4,438
\$50,000.....	25,328	9,188
\$100,000.....	64,060	18,688
\$500,000.....	414,000	94,688
\$1,000,000.....	854,000	189,688
\$5,000,000.....	4,374,000	949,688

¹ Maximum earned income assumed.

² Excludes Victory tax.

³ The basic liability of 6 percent of normal tax net income plus 13 percent of surtax net income.

TABLE 4.—Effective income-tax rates, under present law and under H. R. 2577¹

MARRIED PERSON—NO DEPENDENTS

Net income before personal exemption	Income tax under present law	Tax after canceling normal tax and surtax at first bracket rate
	Percent	Percent
\$1,200.....		
\$1,500.....	3.2	
\$1,800.....	5.7	
\$2,000.....	7.0	
\$2,500.....	9.3	
\$3,000.....	10.8	
\$4,000.....	13.3	0.6
\$5,000.....	14.9	1.1
\$6,000.....	16.5	1.9
\$8,000.....	19.2	3.6
\$10,000.....	21.5	5.4
\$15,000.....	27.0	10.1
\$20,000.....	32.3	14.8
\$25,000.....	36.9	19.1
\$50,000.....	50.7	32.3
\$100,000.....	64.1	45.4
\$500,000.....	82.8	63.9
\$1,000,000.....	85.4	66.4
\$5,000,000.....	87.5	68.5

¹ All figures exclude the Victory tax.

Mr. BANKHEAD. Mr. President, on my amendment I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. GEORGE. Mr. President, I do not rise to argue the amendment submitted by the Senator from Alabama. I rise to thank him for presenting the issue in this shape, because it enables me to record the vote which I am under my conscience compelled to record. As I understand the Senator's amendment, it is really the bill as passed by the House, perfected or modified to incorporate all the changes which were made by the Senate Finance Committee in connection with the withholding provisions and soldier and sailor relief. That is my understanding.

Mr. President, the bill as passed by the House does what I tried so earnestly to prevent in the Senate. It forgives 76 percent or nearly 77 percent of the aggregate tax liability of individual income-tax payers. Unfortunately, it forgives some 40,000,000 taxpayers wholly, and it leaves some 4,000,000 or more under the old system with respect to their liability above the first bracket, so that the 4,000,000 taxpayers who pay from 60 to 65 percent of the total income taxes paid by all individuals in the United States annually will have to make out two returns; they will be partly on a past year, partly on a current year basis, but they will lack being upon a current basis.

The House bill starts at the bottom and makes taxpayers up to married men with four children who have incomes of \$4,600 a year entirely current. It forgives 100 percent of those below that figure. It leaves an upper bracket liability for the past year upon all the taxpayers of the country who earn more than that amount.

Not only that, Mr. President, but all the 4,000,000 taxpayers who pay 60 to 65 percent of the total income taxes of this country will be required to file a return for the preceding year, and make adjustments therein of their basic liability for that year, and also they will be required to estimate their income for the

current year in order to pay the basic rate for the current year. It is a complicated and, I think, a most unjust provision.

Mr. President, when I presented my amendment, which I sincerely regret was not accepted by the Senate, I tried to say that I was willing to do what the House had done in forgiving 75 percent, but to apply the forgiveness equally among all taxpayers, and not to engage in a preferential treatment of one group as against another group of taxpayers. If there is any reason on earth for making 40,000,000 American taxpayers current by forgiving them 100 percent, that same reason will compel any fair-minded man to say that the other 4,000,000 American taxpayers should likewise be made current by an equality of treatment.

Mr. BANKHEAD. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. BANKHEAD. The Senator recognizes, I am sure, that the House bill abates uniformly to every taxpayer the same tax, that is 6 percent normal tax and 13 percent surtax.

Mr. GEORGE. Yes, I realize that.

Mr. BANKHEAD. It does that all the way up.

Mr. GEORGE. It begins at the bottom and—

Mr. BANKHEAD. Goes all the way up.

Mr. GEORGE. No. It does not go very far. It does exactly what I suggested. It forgives 100 percent in the case of 40,000,000 taxpayers, and it forgives in reducing percentages to the 4,000,000 taxpayers who pay 60 percent of the total income taxes of the country.

No principle of equity of tax treatment is involved in the amendment because our taxes are levied on a progressive system and on a progressively ascending and rapidly ascending scale. If we are to cut off anything, the cut should be made through all the brackets, so as to leave all on a basis of equality.

More than that, Mr. President, referring to the much-controverted questions of forgiveness and of how the Treasury is to be treated, the proposal would cancel within \$900,000,000 of the amount which would be canceled by the Senate Finance Committee plan—by the Ruml plan, if you please, with the two windfall provisions; and for the next fiscal year it would bring into the Treasury \$1,989,000,000 less than would the Ruml plan, as embraced in the Senate Finance Committee proposal.

Mr. President, the Government can be unjust, through discrimination in conferring benefits upon its citizens, as well as through its decision to impose unequal burdens upon citizens. I do not believe in injustice, and I do not want to treat the American taxpayers in that way.

I am very happy that the Senator from Alabama has presented this issue in the way he has presented it, so that the question comes directly on the acceptance of the bill as it passed the House, modified to include amendments made by the Senate Finance Committee to the noncontroversial sections and provisions of the bill.

Mr. President, I believe that the yeas and nays have been ordered.

Mr. BANKHEAD. Mr. President, I stated from memory that under the House bill the forgiveness would be 54 percent. My attention has been called to the fact that it would be 76 percent—not 100 percent, as in the Ruml plan, but 76 percent.

Mr. ELLENDER. Mr. President, yesterday when I addressed the Senate on the amendment offered by myself, I stated that I would not vote for the cancellation or abatement of any taxes. When the Connally substitute was voted upon by the Senate a short time ago I voted for the substitute because I felt it was the lesser of two evils. I propose to vote for the pending amendment because I feel that it is the lesser of two evils. If the pending amendment is agreed to—and I think that is very doubtful—I expect to vote "nay" when the vote is finally taken on the passage of the bill.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Alabama [Mr. BANKHEAD] to the committee amendment, as amended. On that question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. McNARY (when his name was called). Mr. President, again referring to my pair with the senior Senator from Kentucky [Mr. BARKLEY], I am advised that if the Senator from Kentucky were present he would vote "yea." I transfer my pair with him to the junior Senator from Indiana [Mr. WILLIS], and will vote. I vote "nay." If the Senator from Indiana were present, he would vote "nay."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Kentucky [Mr. BARKLEY], the Senator from Virginia [Mr. GLASS], the Senator from Tennessee [Mr. McKELLAR], and the Senator from South Carolina [Mr. SMITH] are absent from the Senate because of illness.

The Senator from Nevada [Mr. McCARRAN] is absent conducting hearings in the West on behalf of the Senate.

The Senator from Missouri [Mr. TRUMAN] and the Senator from Washington [Mr. WALLGREN] are out of the city conducting hearings on behalf of the Special Committee to Investigate the National Defense Program.

The Senator from Montana [Mr. MURRAY] is absent on official business for the Special Committee to Study and Survey Problems of Small Business Enterprises. I am advised that, if present and voting, he would vote "yea."

The Senator from Florida [Mr. PEPPER] is detained on important public business.

The Senator from Wyoming [Mr. O'MAHONEY] is necessarily absent.

I further announce that the Senator from Nevada [Mr. McCARRAN] is paired with the Senator from Virginia [Mr. GLASS]. I am advised that, if present and voting, the Senator from Nevada

would vote "nay," and the Senator from Virginia would vote "yea."

The Senator from Tennessee [Mr. McKELLAR] is paired with the Senator from Florida [Mr. ANDREWS]. I am advised that, if present and voting, the Senator from Tennessee would vote "yea," and the Senator from Florida would vote "nay."

Mr. CONNALLY. Mr. President, I am authorized by the Senator from Virginia [Mr. BYRD] to state that, on this vote he is paired with the Senator from New Jersey [Mr. HAWKES]. If the Senator from Virginia were present, he would vote "yea," and if the Senator from New Jersey were present, he would vote "nay."

Mr. McNARY. Mr. President, the Senator from California [Mr. JOHNSON] is absent because of illness.

The result was announced—yeas 27, nays 52, as follows:

YEAS—27

Bankhead	Hayden	Murdock
Bilbo	Hill	Russell
Caraway	Kilgore	Shipstead
Connally	La Follette	Stewart
Downey	Langer	Thomas, Okla.
Eastland	McClellan	Thomas, Utah
Ellender	McFarland	Tydings
Green	Maybank	Wagner
Guffey	Mead	Wheeler

NAYS—52

Aiken	Danaher	Overton
Austin	Davis	Radcliffe
Bailey	Ferguson	Reed
Ball	George	Revercomb
Barbour	Gerry	Reynolds
Bone	Gillette	Robertson
Brewster	Hatch	Scruggam
Bridges	Holman	Taft
Brooks	Johnson, Colo.	Tobey
Buck	Lodge	Tunnell
Burton	Lucas	Vandenberg
Bushfield	McNary	Van Nuys
Butler	Maloney	Walsh
Capper	Millikin	Wherry
Chandler	Moore	White
Chavez	Nye	Wiley
Clark, Idaho	O'Daniel	
Clark, Mo.		

NOT VOTING—17

Andrews	McCarran	Thomas, Idaho
Barkley	McKellar	Truman
Byrd	Murray	Wallgren
Glass	O'Mahoney	Willis
Hawkes	Pepper	Wilson
Johnson, Calif.	Smith	

So Mr. BANKHEAD's amendment to the committee amendment, as amended, was rejected.

The PRESIDING OFFICER. The question now recurs on agreeing to the amendment of the committee in the nature of a substitute, as amended.

Mr. ELLENDER. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. TAFT. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. TAFT. Does not the question of adoption of the committee amendment simply raise the question over again on which we have just had a yea-and-nay vote? Should not the last roll call be on the bill, and not on the committee amendment? Are we not wasting time?

Mr. HILL. Mr. President, we are not wasting time, because the Senator from Alabama [Mr. BANKHEAD] modified his amendment—

The PRESIDING OFFICER. The parliamentary inquiry is directed to the Chair.

The Chair will state to the Senator from Ohio that the amendment offered

by the Senator from Alabama [Mr. BANKHEAD] was not identical with the House provision.

The yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. McNARY (when his name was called). Referring again to my pair, I am advised that the senior Senator from Kentucky [Mr. BARKLEY] would vote "nay" if he were present. I transfer my pair to the junior Senator from Indiana [Mr. WILLIS] who, if present, would vote as I intend to vote. I vote "yea."

Mr. McNARY (when the name of Mr. THOMAS of Idaho was called). If the junior Senator from Idaho were present he would vote "yea."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Kentucky [Mr. BARKLEY], the Senator from Virginia [Mr. GLASS], the Senator from Tennessee [Mr. McKELLAR], and the Senator from South Carolina [Mr. SMITH] are absent from the Senate because of illness.

The Senator from Nevada [Mr. McCARRAN] is absent conducting hearings in the West on behalf of the Senate.

The Senator from Missouri [Mr. TRUMAN] and the Senator from Washington [Mr. WALLGREN] are out of the city conducting hearings on behalf of the Special Committee to Investigate National Defense.

The Senator from Montana [Mr. MURRAY] is absent on official business for the Special Committee to Study and Survey Problems of Small Business Enterprises. I am advised that if present and voting, he would vote "nay."

The Senator from Florida [Mr. PEPPER] is detained on important public business.

The Senator from Wyoming [Mr. O'MAHONEY] is necessarily absent.

I further announce that the Senator from Florida [Mr. ANDREWS] is paired with the Senator from Tennessee [Mr. McKELLAR]. I am advised that if present and voting, the Senator from Florida would vote "yea", and the Senator from Tennessee would vote "nay."

The Senator from Nevada [Mr. McCARRAN] is paired with the Senator from Virginia [Mr. GLASS]. I am advised that if present and voting, the Senator from Nevada would vote "yea", and the Senator from Virginia would vote "nay."

Mr. CONNALLY. I am authorized by the Senator from Virginia [Mr. BYRD] to say he is paired with the Senator from New Jersey [Mr. HAWKES]. If the Senator from Virginia were present he would vote "nay." If the Senator from New Jersey were present he would vote "yea."

Mr. McNARY. The Senator from California [Mr. JOHNSON] is absent because of illness.

The result was announced—yeas 48, nays 31, as follows:

YEAS—48

Aiken	Bushfield	Ferguson
Austin	Butler	Gerry
Ball	Capper	Gillette
Barbour	Chandler	Gurney
Brewster	Chavez	Holman
Bridges	Clark, Idaho	Johnson, Colo.
Brooks	Clark, Mo.	Lodge
Buck	Danaher	Lucas
Burton	Davis	McNary

Maloney
Millikin
Moore
Nye
Overton
Radcliffe
Reed

Revercomb
Reynolds
Robertson
Scruggam
Stewart
Taft
Tobey

Tunnell
Vandenberg
Van Nuys
Walsh
Wherry
White
Wiley

NAYS—31

Bailey	Guffey	Murdock
Bankhead	Hatch	O'Daniel
Bilbo	Hayden	Russell
Bone	Hill	Shipstead
Caraway	Kilgore	Thomas, Okla.
Connally	La Follette	Thomas, Utah
Downey	Langer	Tydings
Eastland	McClellan	Wagner
Ellender	McFarland	Wheeler
George	Maybank	
Green	Mead	

NOT VOTING—17

Andrews	McCarran	Thomas, Idaho
Barkley	McKellar	Truman
Byrd	Murray	Wallgren
Glass	O'Mahoney	Willis
Hawkes	Pepper	Wilson
Johnson, Calif.	Smith	

So the amendment of the committee, as amended, was agreed to.

The PRESIDING OFFICER. The bill is before the Senate and open to further amendment. If there be no further amendments to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. LA FOLLETTE. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. McNARY (when his name was called). Referring again to my pair with the senior Senator from Kentucky [Mr. BARKLEY], if he were present, he would vote "nay." I transfer my pair to the junior Senator from Indiana [Mr. WILLIS], who, if present, would vote as I intend to vote. I vote "yea."

Mr. McNARY (when the name of Mr. THOMAS of Idaho was called). If the junior Senator from Idaho were present, he would vote "yea."

Mr. CLARK of Missouri (when Mr. TRUMAN's name was called). My colleague, the junior Senator from Missouri [Mr. TRUMAN], is necessarily absent on important public business. I am authorized by him to say that if he were present he would vote "yea."

The roll call was concluded.

Mr. CONNALLY. I am authorized by the Senator from Virginia [Mr. BYRD], who is necessarily absent, to say that he is paired with the Senator from New Jersey [Mr. HAWKES]. If the Senator from Virginia were present, he would vote "nay," and if the Senator from New Jersey were present he would vote "yea."

Mr. McNARY. The Senator from California [Mr. JOHNSON] is absent because of illness.

Mr. HILL. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Kentucky [Mr. BARKLEY], the Senator from Virginia [Mr. GLASS], the Senator from Tennessee [Mr. McKELLAR], and the Senator from South Carolina [Mr. SMITH] are absent from the Senate because of illness.

The Senator from Nevada [Mr. McCARRAN] is absent conducting hearings in the West on behalf of the Senate.

The Senator from Washington [Mr. WALLGREN] is out of the city conducting hearings on behalf of the Special Committee to Investigate National Defense.

The Senator from Montana [Mr. MURRAY] is absent on official business for the special committee to study and survey problems of small business enterprises. I am advised that if present and voting he would vote "nay."

The Senator from Florida [Mr. PEPPER] is detained on important public business.

The Senator from Wyoming [Mr. O'MAHONEY] is necessarily absent.

I further announce that the Senator from Florida [Mr. ANDREWS] is paired with the Senator from Tennessee [Mr. McKELLAR]. I am advised that if present and voting, the Senator from Florida would vote "yea," and the Senator from Tennessee would vote "nay."

The Senator from Nevada [Mr. McCARRAN] is paired with the Senator from Virginia [Mr. GLASS]. I am advised that if present and voting, the Senator from Nevada would vote "yea," and the Senator from Virginia would vote "nay."

The Senator from Florida [Mr. PEPPER] is paired with the Senator from Idaho [Mr. THOMAS]. I am advised that if present and voting, the Senator from Idaho would vote "yea," and the Senator from Florida would vote "nay."

The result was announced—yeas 49, nays 30, as follows:

YEAS—49

Aiken	Davis	Revercomb
Austin	Ferguson	Reynolds
Bail	Gerry	Robertson
Barbour	Gillette	Scruggam
Brewster	Gurney	Stewart
Bridges	Holman	Taft
Brooks	Johnson, Colo.	Thomas, Utah
Buck	Lodge	Tobey
Burton	Lucas	Tunnell
Bushfield	McNary	Vandenberg
Butler	Maloney	Van Nuys
Capper	Millikin	Walsh
Chandler	Moore	Wherry
Chavez	Nye	White
Clark, Idaho	Overton	Wiley
Clark, Mo.	Reed	
Danaher	Reed	

NAYS—30

Bailey	Green	Maybank
Bankhead	Guffy	Mead
Bilbo	Hatch	Murdock
Bone	Hayden	O'Daniel
Caraway	Hill	Russell
Connally	Kilgore	Shipstead
Downey	La Follette	Thomas, Okla.
Eastland	Langer	Tydings
Ellender	McClellan	Wagner
George	McFarland	Wheeler

NOT VOTING—17

Andrews	McCarran	Thomas, Idaho
Barkley	McKellar	Truman
Byrd	Murray	Wallgren
Glass	O'Mahoney	Willis
Hawkes	Pepper	Wilson
Johnson, Calif.	Smith	

So the bill H. R. 2570 was passed, as follows:

Be it enacted, etc., That (a) this act may be cited as the "Current Tax Payment Act of 1943."

(b) Meaning of terms used: Except as otherwise expressly provided, terms used in this act shall have the same meaning as when used in the Internal Revenue Code.

SEC. 2. Collection of tax at source on wages.

(a) In general: Chapter 9 of the Internal Revenue Code (relating to employment taxes) is amended by inserting at the end thereof the following new subchapters:

"SUBCHAPTER D—COLLECTION OF INCOME TAX AT SOURCE ON WAGES

"SEC. 1621. Definitions.

"As used in this subchapter—

"(a) Wages: The term 'wages' means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid—

"(1) for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay includible in gross income under chapter 1, or

"(2) for agricultural labor (as defined in section 1426 (h)), or

"(3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority; or

"(4) for casual labor not in the course of the employer's trade or business; or

"(5) for services by a citizen or resident of the United States for a foreign government or for the government of the Commonwealth of the Philippines; or

"(6) for services performed by a nonresident alien individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals; or

"(7) for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary; or

"(8) for services for an employer performed by a citizen or resident of the United States while outside the United States (as defined in section 3797 (a) (9)) if the major part of the services for such employer during the calendar year is to be performed outside the United States; or

"(9) for services performed as a minister of the gospel.

For the purpose of paragraph (8) services performed on or in connection with an American vessel (as defined in section 1426 (g)) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration, shall not constitute services performed outside the United States.

"(b) Pay-roll period: The term 'pay-roll period' means a period for which a payment of wages is ordinarily made to the employee by his employer, and the term 'miscellaneous pay-roll period' means a pay-roll period other than a weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual pay-roll period.

"(c) Employee: The term 'employee' includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term 'employee' also includes an officer of a corporation.

"(d) Employer: The term 'employer' means the person for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that—

"(1) if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term 'employer' (except for the purposes of subsection (a)) means the

person having control of the payment of such wages; and

"(2) in the case of a person paying wages on behalf of a nonresident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, the term 'employer' (except for the purposes of subsection (a)) means such person.

"(e) Single person: The term 'single person' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that such person is single, or is married and not living with husband or wife, and is not the head of a family.

"(f) Married person: The term 'married person' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is married and living with husband or wife.

"(g) Married person claiming all of personal exemption for withholding: The term 'married person claiming all of personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims all of the personal exemption and that for the purposes of this subchapter his spouse is claiming none of the personal exemption.

"(h) Married person claiming half of personal exemption for withholding: The term 'married person claiming half of the personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims half of the personal exemption and that for the purposes of this subchapter his spouse is claiming not more than half of such exemption.

"(i) Married person claiming none of personal exemption for withholding: The term 'married person claiming none of the personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) making no claim with respect to the personal exemption for the purposes of this subchapter.

"(j) Head of family: The term 'head of a family' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is the head of a family.

"(k) Dependent: The term 'dependent' means a person included in a withholding exemption certificate in effect under section 1622 (h) as a person dependent upon and receiving his chief support from the employee and either under 18 years of age or incapable of self-support because mentally or physically defective.

"SEC. 1622. Income tax collected at source.

"(a) Requirement of withholding: Every employer making payment of wages shall withhold and collect upon such wages a tax equal to the greater of the following:

"(1) 20 percent of the excess of each payment of such wages over the family status withholding exemption allowable under subsection (b) (1) (A), or

"(2) 3 percent of the excess of each payment of such wages over the Victory tax withholding exemption allowable under subsection (b) (1) (B).

"(b) Withholding exemption.—

"(1) In computing the tax required to be withheld under subsection (a), there shall be allowed as a withholding exemption with respect to the wages paid for each pay-roll period—

"(A) in computing the tax required to be withheld under subsection (a) (1), a family status withholding exemption determined in accordance with the following schedule:

**Family status withholding exemption*

"Pay-roll period"	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly.....	\$12	\$24	\$12	0	\$6
Biweekly.....	24	48	24	0	12
Semimonthly.....	26	52	26	0	13
Monthly.....	52	104	52	0	26
Quarterly.....	156	312	156	0	78
Semiannual.....	312	624	312	0	156
Annual.....	624	1,248	624	0	312
Daily or miscellaneous (per day of such period).....	1.70	3.40	1.70	0	.85

"(B) In computing the tax required to be withheld under subsection (a) (2), a Victory tax withholding exemption determined in accordance with the following schedule:

"Pay-roll period:

Weekly.....	\$12.00
Biweekly.....	24.00
Semimonthly.....	26.00
Monthly.....	52.00
Quarterly.....	156.00
Semiannual.....	312.00
Annual.....	624.00
Daily or miscellaneous (per day of such period).....	1.70

"(2) If wages are paid with respect to a period which is not a pay-roll period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous pay-roll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any pay-roll period or other period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous pay-roll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the

Victory tax withholding exemption

date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than 1 week, the Commissioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer, in computing the tax required to be withheld, to use the excess of the aggregate of the wages paid to the employee during the calendar week over the withholding exemption allowed by this subsection for a weekly pay-roll period.

"(5) In determining the amount to be withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

"(c) Wage bracket withholding.—

"(1) At the election of the employer with respect to any employee, the employee shall deduct and withhold upon the wages paid to such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be withheld under subsection (a):

If the pay-roll period with respect to an employee is weekly

And, (1) such person is a married person claiming none of personal exemption for withholding and has—

And the wages are

No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents
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Or, (2) such person is a married person claiming half of personal exemption for withholding and has—

No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
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Or, (3) such person is a single person and has—

No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
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Or, (4) such person is a married person claiming all of personal exemption for withholding and has—

No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
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Or, (5) such person is head of a family and has—

No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents
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The amount of tax to be withheld shall be—

\$0	\$10	\$1.00	\$1.30	\$0.10	\$0.20	\$0.30	\$0.40	\$0.50	\$0.60	\$0.70	\$0.80	\$0.90	\$1.00	\$1.10	\$1.20	\$1.30	\$1.40	\$1.50	\$1.60	\$1.70	\$1.80	\$1.90	\$2.00
10	15	2.50	3.10	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
15	20	3.50	4.10	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
20	25	4.50	5.10	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
25	30	5.50	6.10	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
30	40	7.00	7.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
40	50	9.00	9.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
50	60	11.00	11.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
60	70	13.00	13.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
70	80	15.00	15.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
80	90	17.00	17.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
90	100	19.00	19.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
100	110	21.00	21.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
110	120	23.00	23.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
120	130	25.00	25.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
130	140	27.00	27.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
140	150	29.00	29.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
150	160	31.00	31.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
160	170	33.00	33.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
170	180	35.00	35.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
180	190	37.00	37.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
190	200	39.00	39.80	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00

\$200 or over	20% of the excess over \$200 plus
\$40.00	\$38.80
\$37.60	\$36.40
\$35.20	\$34.00
\$32.80	\$31.60
\$30.40	\$29.20

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$1.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is biweekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
						Or, (4) such person is a married person claiming all of personal exemption for withholding and has—									
						No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents				
						Or, (5) such person is head of a family and has—									
						No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents				
				The amount of tax to be withheld shall be—											
				\$0	\$20	\$2.00									
20	30	5.00	\$2.60	\$0.20											
30	40	7.00	4.60	2.20	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30				
40	50	9.00	6.60	4.20	1.80	.60	.60	.60	.60	.60	.60				
50	60	11.00	8.60	6.20	3.80	1.40	.90	.90	.90	.90	.90				
60	80	14.00	11.60	9.20	6.80	4.40	2.00	1.40	1.40	1.40	1.40				
80	100	18.00	15.60	13.20	10.80	8.40	6.00	3.60	2.00	2.00	2.00				
100	120	22.00	19.60	17.20	14.80	12.40	10.00	7.60	5.20	2.80	2.60				
120	140	26.00	23.60	21.20	18.80	16.40	14.00	11.60	9.20	6.80	4.40				
140	160	30.00	27.60	25.20	22.80	20.40	18.00	15.60	13.20	10.80	8.40				
160	180	34.00	31.60	29.20	26.80	24.40	22.00	19.60	17.20	14.80	12.40				
180	200	38.00	35.60	33.20	30.80	28.40	26.00	23.60	21.20	18.80	16.40				
200	220	42.00	39.60	37.20	34.80	32.40	30.00	27.60	25.20	22.80	20.40				
220	240	46.00	43.60	41.20	38.80	36.40	34.00	31.60	29.20	26.80	24.40				
240	260	50.00	47.60	45.20	42.80	40.40	38.00	35.60	33.20	30.80	28.40				
260	280	54.00	51.60	49.20	46.80	44.40	42.00	39.60	37.20	34.80	32.40				
280	300	58.00	55.60	53.20	50.80	48.40	46.00	43.60	41.20	38.80	36.40				
300	320	62.00	59.60	57.20	54.80	52.40	50.00	47.60	45.20	42.80	40.40				
320	340	66.00	63.60	61.20	58.80	56.40	54.00	51.60	49.20	46.80	44.40				
340	360	70.00	67.60	65.20	62.80	60.40	58.00	55.60	53.20	50.80	48.40				
360	380	74.00	71.60	69.20	66.80	64.40	62.00	59.60	57.20	54.80	52.40				
380	400	78.00	75.60	73.20	70.80	68.40	66.00	63.60	61.20	58.80	56.40				
\$400 or over		20% of the excess over \$400 plus													
		\$80.00	\$77.60	\$75.20	\$72.80	\$70.40	\$68.00	\$65.60	\$63.20	\$60.80	\$58.40				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.40 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 percent of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is semimonthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—									
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
				Or, (3) such person is a single person and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
				Or, (5) such person is head of a family and has—							
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents
				The amount of tax to be withheld shall be—							
\$0	\$20	\$2.00	\$2.40								
20	30	5.00	6.40								
30	40	7.00	8.40	\$1.80	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	9.00	10.40	3.80	1.20	.60	.60	.60	.60	.60	.60
50	60	11.00	12.40	5.80	3.20	.90	.90	.90	.90	.90	.90
60	80	14.00	15.40	8.80	6.20	3.60	1.30	1.30	1.30	1.30	1.30
80	100	18.00	19.40	12.80	10.20	7.60	5.00	2.40	1.90	1.90	1.90
100	120	22.00	23.40	16.80	14.20	11.60	9.00	6.40	3.80	2.50	2.50
120	140	26.00	27.40	20.80	18.20	15.60	13.00	10.40	7.80	5.20	3.10
140	160	30.00	31.40	24.80	22.20	19.60	17.00	14.40	11.80	9.20	6.60
160	180	34.00	35.40	28.80	26.20	23.60	21.00	18.40	15.80	13.20	10.60
180	200	38.00	39.40	32.80	30.20	27.60	25.00	22.40	19.80	17.20	14.60
200	220	42.00	43.40	36.80	34.20	31.60	29.00	26.40	23.80	21.20	18.60
220	240	46.00	47.40	40.80	38.20	35.60	33.00	30.40	27.80	25.20	22.60
240	260	50.00	51.40	44.80	42.20	39.60	37.00	34.40	31.80	29.20	26.60
260	280	54.00	55.40	48.80	46.20	43.60	41.00	38.40	35.80	33.20	30.60
280	300	58.00	59.40	52.80	50.20	47.60	45.00	42.40	39.80	37.20	34.60
300	320	62.00	63.40	56.80	54.20	51.60	49.00	46.40	43.80	41.20	38.60
320	340	66.00	67.40	60.80	58.20	55.60	53.00	50.40	47.80	45.20	42.60
340	360	70.00	71.40	64.80	62.20	59.60	57.00	54.40	51.80	49.20	46.60
360	380	74.00	75.40	68.80	66.20	63.60	61.00	58.40	55.80	53.20	50.60
380	400	78.00	79.40	72.80	70.20	67.60	65.00	62.40	59.80	57.20	54.60
\$400 or over		20% of the excess over \$400 plus									
		\$80.00	\$77.40	\$74.80	\$72.20	\$69.60	\$67.00	\$64.40	\$61.80	\$59.20	\$56.60

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.60 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is monthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents						
				Or, (5) such person is head of a family and has—											
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of the tax to be withheld shall be—											
				\$0	\$40	\$4.00									
40	50	9.00	\$3.80												
50	60	11.00	5.80	\$0.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10				
60	70	13.00	7.80	2.60	.40	.40	.40	.40	.40	.40	.40				
70	80	15.00	9.80	4.60	.70	.70	.70	.70	.70	.70	.70				
80	100	18.00	12.80	7.60	2.40	1.10	1.10	1.10	1.10	1.10	1.10				
100	120	22.00	16.80	11.60	6.40	1.70	1.70	1.70	1.70	1.70	1.70				
120	140	26.00	20.80	15.60	10.40	5.20	2.30	2.30	2.30	2.30	2.30				
140	160	30.00	24.80	19.60	14.40	9.20	4.00	2.90	2.90	2.90	2.90				
160	200	36.00	30.80	25.60	20.40	15.20	10.00	4.80	3.80	3.80	3.80				
200	240	44.00	38.80	33.60	28.40	23.20	18.00	12.80	7.60	5.00	5.00				
240	280	52.00	46.80	41.60	36.40	31.20	26.00	20.80	15.60	10.40	6.20				
280	320	60.00	54.80	49.60	44.40	39.30	34.00	28.80	23.60	18.40	13.20				
320	360	68.00	62.80	57.60	52.40	47.20	42.00	36.80	31.60	26.40	21.20				
360	400	76.00	70.80	65.60	60.40	55.20	50.00	44.80	39.60	34.40	29.20				
400	440	84.00	78.80	73.60	68.40	63.20	58.00	52.80	47.60	42.40	37.20				
440	480	92.00	86.80	81.60	76.40	71.20	66.00	60.80	55.60	50.40	45.20				
480	520	100.00	94.80	89.60	84.40	79.20	74.00	68.80	63.60	58.40	53.20				
520	560	108.00	102.80	97.60	92.40	87.20	82.00	76.80	71.60	66.40	61.20				
560	600	116.00	110.80	105.60	100.40	95.20	90.00	84.80	79.60	74.40	69.20				
600	640	124.00	118.80	113.60	108.40	103.20	98.00	92.80	87.60	82.40	77.20				
640	680	132.00	126.80	121.60	116.40	111.20	106.00	100.80	95.60	90.40	85.20				
680	720	140.00	134.80	129.60	124.40	119.20	114.00	108.80	103.60	98.40	93.20				
720	760	148.00	142.80	137.60	132.40	127.20	122.00	116.80	111.60	106.40	101.20				
760	800	155.00	150.80	145.60	140.40	135.20	130.00	124.80	119.60	114.40	109.20				
\$800 or over-----		20% of the excess over \$800 plus													
		\$160.00	\$154.80	\$149.60	\$144.40	\$139.20	\$134.00	\$128.80	\$123.60	\$118.40	\$113.20				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$5.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period

And the wages divided by the number of days in such period are—		And, (1) such person is a married person claiming none of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents		
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—									
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents		
				Or, (3) such person is a single person and has—									
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents		
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—								
					No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents		
					Or, (5) such person is head of a family and has—								
					No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents			
					The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period								
				\$0	\$1	\$0.10							
1	2	.30	\$0.15										
2	3	.50	.35	\$0.15									
3	4	.70	.55	.35	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05		
4	5	.90	.75	.55	.40	.20	.10	.10	.10	.10	.10		
5	6	1.10	.95	.75	.60	.40	.25	.10	.10	.10	.10		
6	7	1.30	1.15	.95	.80	.60	.45	.30	.15	.15	.15		
7	8	1.50	1.35	1.15	1.00	.80	.65	.50	.30	.15	.15		
8	9	1.70	1.55	1.35	1.20	1.00	.85	.70	.50	.35	.20		
9	10	1.90	1.75	1.55	1.40	1.20	1.05	.90	.70	.55	.35		
10	12	2.20	2.05	1.85	1.70	1.50	1.35	1.20	1.00	.85	.65		
12	14	2.60	2.45	2.25	2.10	1.90	1.75	1.60	1.40	1.25	1.05		
14	16	3.00	2.85	2.65	2.50	2.30	2.15	2.00	1.80	1.65	1.45		
16	18	3.40	3.25	3.05	2.90	2.70	2.55	2.40	2.20	2.05	1.85		
18	20	3.80	3.65	3.45	3.30	3.10	2.95	2.80	2.60	2.45	2.25		
20	22	4.20	4.05	3.85	3.70	3.50	3.35	3.20	3.00	2.85	2.65		
22	24	4.60	4.45	4.25	4.10	3.90	3.75	3.60	3.40	3.25	3.05		
24	26	5.00	4.85	4.65	4.50	4.30	4.15	4.00	3.80	3.65	3.45		
26	28	5.40	5.25	5.05	4.90	4.70	4.55	4.40	4.20	4.05	3.85		
28	30	5.80	5.65	5.45	5.30	5.10	4.95	4.80	4.60	4.45	4.25		
\$30 or over		20% of the excess over \$30 plus											
		\$6.00	\$5.85	\$5.65	\$5.50	\$5.30	\$5.15	\$5.00	\$4.80	\$4.65	\$4.45		

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$0.15 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05 to the nearest multiple of \$0.05.

"(2) If wages are paid with respect to a period which is not a pay-roll period, the amount to be withheld shall be that applicable in the case of a miscellaneous pay-roll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any pay-roll period or other period, the amount to be withheld shall be that applicable in the case of a miscellaneous pay-roll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than 1 week, the Commissioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer to determine the amount to be withheld under the tables applicable in the case of a weekly pay-roll period, in which case the aggregate of the

wages paid to the employee during the calendar week shall be considered the weekly wages.

"(5) In determining the amount to be withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

"(d) Tax paid by recipient: If the employer, in violation of the provisions of this subchapter, fails to withhold and collect the tax under this subchapter, and thereafter the tax against which such tax may be credited is paid, the tax so required to be withheld and collected shall not be collected from the employer; but this subsection shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to withhold and collect.

"(e) Nondeductibility of tax in computing net income: The tax withheld and collected under this subchapter shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income for the purpose of any tax on income imposed by act of Congress.

"(f) Refunds or credits.—

"(1) Employers: Where there has been an overpayment of tax under this subchapter,

refund or credit shall be made to the employer only to the extent that the amount of such overpayment was not withheld and collected under this subchapter by the employer.

"(2) Employees: For refund or credit in cases of excessive withholding, see section 322 (a).

"(g) Included and excluded wages: If the remuneration paid by an employer to an employee for services performed during one-half or more of any pay-roll period of not more than 31 consecutive days constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than one-half of any such pay-roll period does not constitute wages, then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

"(h) Withholding exemption certificates: Every employee receiving wages shall furnish his employer a signed withholding exemption certificate relating to his status for the purpose of computing the withholding exemption, or if the employer exercises his election under section 1622 (b) (relating to wage

bracket withholding), for the purpose of computing the amount to be withheld under such subsection. In case of a change of status, a new certificate shall be furnished not later than 10 days after such change occurs. The certificate shall be in such form and contain such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe. Such certificate—

"(1) If furnished after the date of commencement of employment with the employer, shall take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least 30 days from the date on which such certificate is furnished to the employer, except that at the election of the employer such certificate may be made effective with respect to any previous payment of wages made on or after the date of the furnishing of such certificate. For the purposes of this paragraph the term 'status determination date' means January 1 and July 1 of each year.

"(2) If furnished on or before the date of commencement of employment with the employer, shall take effect as of the beginning of the first pay-roll period ending, or the first payment of wages made without regard to a pay-roll period, on or after the date on which such certificate is furnished to the employer.

A certificate which takes effect under this subsection shall continue in effect with respect to the employer until another such certificate furnished by the employee takes effect under this subsection. If no certificate is in effect under this subsection with respect to an employee, such employee shall be treated, for the purposes of the withholding exemption, or in case the employer exercises his election under section 1622 (c) (relating to wage bracket withholding), for the purpose of computing the amount to be withheld under such subsection, as a married person claiming none of the personal exemption for withholding.

"(1) Overlapping pay periods, and so forth: If a payment of wages is made to an employee by an employer—

"(1) with respect to a pay-roll period or other period, any part of which is included in a pay-roll period or other period with respect to which wages are also paid to such employee by such employer, or

"(2) without regard to any pay-roll period or other period, but on or prior to the expiration of a pay-roll period or other period with respect to which wages are also paid to such employee by such employer; or

"(3) with respect to a period beginning in one and ending in another calendar year, the manner of withholding and the amount to be withheld under this subchapter shall be determined in accordance with regulations prescribed by the Commissioner with the approval of the Secretary under which the withholding exemption allowed to an employee in any calendar year shall approximate the withholding exemption allowable with respect to an annual pay-roll period.

"(j) Withholding on basis of average wages: The Commissioner may, under regulations prescribed by him with the approval of the Secretary, authorize employers (1) to estimate the wages which will be paid to any employee in any quarter of the calendar year, (2) to determine the amount to be withheld and collected upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid, and (3) to withhold and collect upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually withheld and collected upon the wages of such employee during such quarter to the amount required to be withheld during such quarter without regard to this subsection.

"Sec. 1623. Liability for tax.

"The employer shall be liable for the payment of the tax required to be withheld and collected under this subchapter, and shall not be liable to any person for the amount of any such payment.

"Sec. 1624. Return and payment by governmental employer.

"If the employer is the United States, or a State, Territory, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return of the amount withheld and collected upon any wages may be made by any officer or employee of the United States, or of such State, Territory, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose.

"Sec. 1625. Receipts.

"(a) Requirement: Every employer required to withhold and collect a tax in respect of the wages of an employee shall furnish to each such employee in respect of his employment during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of wages is made, a written statement showing the wages paid by the employer to such employee during such calendar year, and the amount of the tax withheld and collected under this subchapter in respect of such wages.

"(b) Statements to constitute information returns: The statements required to be furnished by this section in respect of any wages shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe. A duplicate of such statement if made and filed in accordance with regulations prescribed by the Commissioner with the approval of the Secretary shall constitute the return required to be made in respect of such wages under section 147.

"(c) Extension of time: The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the statements required to be furnished to employees under this section.

"Sec. 1626. Penalties.

"(a) Penalties for fraudulent receipt or failure to furnish receipt: In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof be fined not more than \$1,000, or imprisoned for not more than 1 year, or both.

"(b) Additional penalty: In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of not more than \$50.

"(c) Failure of employer to file return or pay tax: In case of any failure to make and file return or pay the tax required by this subchapter, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that

such failure is due to reasonable cause and not due to willful neglect, the addition to the tax shall not be less than \$10.

"(d) Penalties in respect of withholding exemption certificates: Any individual required to supply information to his employer under section 1622 (h) who willfully supplies false or fraudulent information, or who willfully fails to supply information thereunder which would require an increase in the tax to be withheld under section 1622, shall, in lieu of any penalty otherwise provided, upon conviction thereof, be fined not more than \$500, or imprisoned for not more than 1 year, or both.

"Sec. 1627. Other laws applicable.

"All provisions of law, including penalties, applicable with respect to the tax imposed by section 1400 shall, insofar as applicable and not inconsistent with the provisions of this subchapter, be applicable with respect to the tax under this subchapter.

"SUBCHAPTER E—GENERAL PROVISIONS

"Sec. 1630. Verification of returns, etc.

"(a) Power of Commissioner to require: The Commissioner, under regulations prescribed by him with the approval of the Secretary, may require that any return, statement, or other document required to be filed under this chapter shall contain or be verified by a written declaration that it is made under the penalties of perjury, and such declaration shall be in lieu of any oath otherwise required.

"(b) Penalties: Every person who willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter, shall be guilty of a felony, and, upon conviction thereof, shall be subject to the penalties prescribed for perjury in section 125 of the Criminal Code.

"Sec. 1631. Use of Government depositories in connection with payment of taxes.

"The Secretary may authorize incorporated banks or trust companies which are depositories or financial agents of the United States to receive any taxes under this chapter in such manner, at such times, and under such conditions as he may prescribe; and he shall prescribe the manner, times, and conditions under which the receipt of such taxes by such depositories and financial agents is to be treated as payment of such taxes to the collectors."

(b) Technical amendments.—

(1) Amendment to section 34: Section 34 of the Internal Revenue Code (cross-reference) is amended by striking out "453, 454, and 466 (e)" and inserting in lieu thereof "453 and 454."

(2) Amendment to section 322: Section 322 (f) of the Internal Revenue Code (cross-reference) is amended to read as follows:

"(f) Tax withheld at source: For refund or credit in case of withholding agent, see section 143 (f). For refund or credit in case of employer required to withhold tax on wages, see section 1622 (f)."

(c) Expiration date for withholding at source on wages under subchapter D of chapter 1: Section 476 of the Internal Revenue Code (prescribing the expiration date for the taxes imposed by subch. D) is amended to read as follows:

"Sec. 476. Expiration date.

"The tax imposed by part I of this subchapter shall not apply with respect to any taxable year commencing after the date of cessation of hostilities in the present war. The tax imposed by part II of such subchapter shall not apply with respect to any wages paid after June 30, 1943."

(d) Effective date: The amendments made by subsections (a) and (b) shall take effect July 1, 1943, and shall be applicable to all wages paid on or after such date.

SEC. 3. Credit for tax withheld at source.

Section 35 of the Internal Revenue Code (relating to the credit for tax withheld on wages) is amended to read as follows:

"SEC. 35. Credit for tax withheld on wages.

"The amount withheld and collected as tax under subchapter D of chapter 9 during any calendar year upon the wages of any individual shall be allowed as a credit to the recipient of the income against the tax imposed by this chapter for the taxable year beginning in such calendar year. If more than 1 taxable year begins in any such calendar year such amount shall be allowed as a credit against the tax for the last taxable year so beginning."

SEC. 4. Refunds.

(a) Excessive withholding, etc.: Section 322 (a) (2) of the Internal Revenue Code (relating to excessive withholding) is amended to read as follows:

"(2) Excessive withholding: Where the amount of the tax withheld at the source under part II of subchapter D or subchapter D of chapter 9 exceeds the taxes imposed by this chapter against which the tax so withheld may be credited under section 35 or 466 (e), the amount of such excess shall be credited against any income tax or installment thereof then due from the taxpayer, and any balance thereof shall be refunded immediately to the taxpayer.

"(3) Credits against estimated tax: The Commissioner is authorized to prescribe, with the approval of the Secretary, regulations providing for the crediting against the estimated tax for any taxable year of the amount determined by the taxpayer or the Commissioner to be an overpayment of the tax for a preceding taxable year."

(b) Presumption as to date of payment: Section 322 (e) of the Internal Revenue Code (relating to presumption as to date of payment) is amended to read as follows:

"(e) Presumption as to date of payment: For the purposes of this section, any tax actually withheld and collected at the source during any calendar year under part II of subchapter D or under subchapter D of chapter 9 shall, in respect of the recipient of the income, be deemed to have been paid by him on the 15th day of the third month following the close of his taxable year with respect to which such tax is allowable as a credit under section 35 or section 466 (e); except that in the case of a nonresident alien individual, it shall be deemed to have been paid by him on the 15th day of the sixth month following the close of such taxable year. For the purposes of this section, any amount paid as estimated tax for any taxable year shall be deemed to have been paid not earlier than the 15th day of the third month following the close of such taxable year."

(c) Delegation of authority to collectors to make refunds: Section 3770 (a) of the Internal Revenue Code (relating to authority to make refunds) is amended (1) by striking out "(4)" at the beginning of paragraph (4) and inserting in lieu thereof "(5)"; and (2) by inserting after paragraph (3) the following:

"(4) Delegation of authority to collectors to make refunds: The Commissioner is authorized to delegate, with the approval of the Secretary, to collectors any authority, duty, or function which the Commissioner is authorized or required to exercise or perform under paragraph (1), (2), or (3) of this subsection, or under section 322 or 1027, where the amount involved does not exceed \$1,000."

(d) Overpayments: Section 3770 of the Internal Revenue Code (relating to authority to make credits and refunds) is amended by inserting at the end thereof the following:

"(c) Rule where no tax liability: An amount paid as tax shall not be considered not to constitute an overpayment solely by reason of the fact that there was no tax

liability in respect of which such amount was paid.

"(e) Cross-reference: The last subsection of section 3771 of the Internal Revenue Code (relating to interest on overpayments) is amended to read as follows:

"(f) Estimated tax and tax withheld at source: For date of payment in respect of estimated tax and of tax withheld at source on wages, see section 322 (e)."

(f) Review of allowance of interest: Section 3790 of the Internal Revenue Code (prohibiting administrative review of Commissioner's decisions) is amended by inserting at the end thereof the following: "In the absence of fraud or mistake in mathematical calculation, the allowance or nonallowance by the Commissioner, of interest on any credit or refund under the internal revenue laws shall not, except as provided in chapter 5, be subject to review by any other administrative or accounting officer, employee, or agent of the United States."

SEC. 5. Current payment of tax not withheld at source.

(a) In general: The Internal Revenue Code is amended by striking out sections 58, 59, and 60 and inserting in lieu thereof the following:

"Sec. 58. Declaration of estimated tax by individuals.

"(a) Requirement of declaration: Every individual (other than an estate or trust and other than a nonresident alien) shall, at the time during the taxable year prescribed in subsection (d), make a declaration of his estimated tax for the taxable year if—

"(1) his gross income from wages (as defined in sec. 1621)

"(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$2,700 for the taxable year; or did exceed \$2,700 for the preceding taxable year; or

"(B) in case such individual is married and living with husband or wife: can when added to the gross income which can reasonably be expected to be received by such husband or wife from wages (as so defined) reasonably be expected to exceed \$3,500 for the taxable year; or did when added to the gross income of such husband or wife from wages (as so defined) for the preceding taxable year, exceed \$3,500 for such preceding taxable year; or

"(2) his gross income from sources other than wages (as defined in section 1621)

"(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$100 for the taxable year and his gross income to be such as will require the making of a return for the taxable year under section 51; or did exceed \$100 for the preceding taxable year and such individual either was required to make a return under section 51 or 455 for such preceding taxable year or would have been so required if he had been single during the whole of such preceding taxable year; or

"(B) in case such individual is married and living with husband or wife: can when added to the gross income which can reasonably be expected to be received by husband or wife from such sources, reasonably be expected to exceed \$100 for the taxable year and the aggregate gross income of such husband and wife can reasonably be expected to be such as will require the making of a return under section 51 or 455; or did, when added to the gross income of such husband or wife from such sources for the preceding taxable year, exceed \$100 for such preceding taxable year and such individual would have been required to make a return under section 51 or 455 for such preceding taxable year if he had been married and living with husband or wife during the whole of such preceding taxable year.

"(b) Contents of declaration: In the declaration required under subsection (a) the individual shall state—

"(1) the amount which he estimates as the amount of tax under sections 11 and 12, or 400, as the case may be, and section 450, for the taxable year, without regard to any credits under sections 32, 35, and 466 (e);

"(2) the amount which he estimates as the credits for the taxable year under sections 32, 35, and 466 (e); and

"(3) the excess of the amount estimated under paragraph (1) over the amount estimated under paragraph (2), which excess for the purposes of this chapter shall be held and considered the estimated tax for the taxable year.

The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

"(c) Joint declaration by husband and wife: In the case of a husband and wife living together, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint return is not made for the taxable year, the estimated tax for such year may be treated as the estimated tax of either the husband or the wife, or may be divided between them.

"(d) Time and place for filing: The declaration required under subsection (a) shall be filed on or before the 15th day of the third month of the taxable year, except that if the requirements of subsection (a) are first met after such date, the declaration shall be filed on or before the 15th day of the last month of the quarter of the taxable year in which such requirements are first met. An individual may make amendments or revisions of a declaration filed under this subsection, under regulations prescribed by the Commissioner with the approval of the Secretary. If so made, such amendments or revisions shall be filed on or before the 15th day of the last month of any quarter of the taxable year subsequent to that in which the declaration was filed and in which no previous amendments or revisions have been made or filed. Declarations and amendments and revisions thereof shall be filed with the Collector specified in section 53 (b) (1).

"(e) Extension of time: The Commissioner may grant a reasonable extension of time for filing declarations and paying the estimated tax, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than 6 months.

"(f) Persons under disability: If the taxpayer is unable to make his own declaration, the declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

"(g) Signature presumed correct: The fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

"(h) Publicity of declaration: For the purposes of section 55 (relating to publicity of returns), a declaration of estimated tax shall be held and considered a return under this chapter.

"SEC. 59. Payment of estimated tax.

"(a) In general: The estimated tax shall be paid in four equal installments except that—

"(1) if the declaration is filed (otherwise than pursuant to an extension of time) after the 15th day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year (including the quarter in which the declaration is filed); and

"(2) if any amendment or revision of a declaration is filed, the remaining installments shall be ratably increased or decreased, as the case may be, to reflect the increase or decrease, as the case may be, in the estimated tax by reason of such amendment or revision; and

"(3) at the election of the individual, any installment of the estimated tax may be paid prior to the date prescribed for its payment. One installment of the estimated tax shall be paid at the time of making the declaration, and an installment thereof shall be paid on the 15th day of the last month of each succeeding quarter of the taxable year. Payment of any installment of the estimated tax shall be considered payment on account of the tax for the taxable year.

"(b) Assessment: The estimated tax shall be assessed only to the extent paid.

"SEC. 60. Special rules for application of sections 58 and 59.

"(a) Farmers: In the case of an individual whose estimated gross income from farming for the taxable year is at least 80 percent of the total estimated gross income from all sources for the taxable year, in lieu of the time prescribed in section 58 (d), the declaration for the taxable year may be made at any time on or before the 15th day of the last month of the taxable year.

"(b) Application to short taxable years: The application of sections 58, 59, and 294 (a) (3), (4), and (5) to taxable years of less than 12 months shall be as prescribed in regulations prescribed by the Commissioner with the approval of the Secretary.

"(c) Application to taxable years beginning in 1943: If the taxable year is the calendar year 1943, the 15th day of September, 1943, shall be substituted for the 15th day of March for the purposes of section 58 (d). If the taxable year begins in 1943 after January 1, the date which shall be substituted for the 15th day of the third month of the taxable year for the purposes of section 58 (d) shall be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary. In either case installments of the estimated tax for such taxable year payable after September 1, 1943, shall be ratably decreased to reflect the payments on account of a taxable year beginning in 1942 which are treated as payments on account of the estimated tax for a taxable year beginning in 1943."

(b) Additions to tax: Section 294 (a) of the Internal Revenue Code (relating to additions to tax in case of nonpayment) is amended by inserting at the end thereof the following:

"(3) Failure to file declaration of estimated tax: In the case of a failure to make and file a declaration of estimated tax within the time prescribed, there shall be added to the tax an amount equal to 10 percent of the tax.

"(4) Failure to pay installment of estimated tax: In the case of the failure to pay an installment of the estimated tax within the time prescribed, there shall be added to the tax \$2.50 or 2½ percent of the tax, whichever is the greater, for each installment with respect to which such failure occurs.

"(5) Substantial underestimate of estimated tax: If 80 percent of the tax (determined without regard to the credits under sections 32, 35, and 466 (e)), in the case of individuals other than farmers exercising an election under section 60 (a), or 66⅔ percent of such tax so determined in the case of such farmers, exceeds the estimated tax (increased by such credits), there shall be added to the

tax an amount equal to such excess, or equal to 6 percent of the amount by which such tax so determined exceeds the estimated tax so increased, whichever is the lesser. This paragraph shall not apply to the taxable year in which falls the death of the taxpayer."

(c) Penalties: Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after "return" wherever appearing therein the words "or declaration", and (2) by inserting before "tax" wherever appearing therein the words "estimated tax or."

(d) Payment by installments: Section 56 (b) of the Internal Revenue Code (relating to installment payments) is amended by striking out "The" at the beginning thereof and inserting in lieu thereof "Except in the case of an individual (other than an estate or trust and other than a nonresident alien), the."

(e) Taxable years to which applicable: The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1942.

SEC. 6. Relief from double payments in 1943.

(a) General rule: The liability of any individual (other than an estate or trust and other than a nonresident alien) for the tax imposed by chapter 1 of the Internal Revenue Code for the taxable year 1942 shall be discharged as of September 1, 1943, except that (1) interest and additions to such tax shall be collected at the same time and in the same manner as, and as a part of, the tax under such chapter for the taxable year 1943, and (2) this subsection shall not apply in any case in which the taxpayer is convicted of any criminal offense with respect to the tax for the taxable year 1942 or in which additions to the tax for such taxable year are applicable by reason of fraud.

(b) Special rule where 1942 tax greater than 1943 tax: In the case of a taxpayer any part of whose tax for the taxable year 1942 is discharged under subsection (a), if such tax (determined without regard to such subsection, without regard to interest and additions to such tax, and without regard to credits against such tax for amounts withheld at source) is in excess of the tax for the taxable year 1943 (determined without regard to this section, without regard to interest and additions to such tax, and without regard to credits against such tax for amounts withheld at source), the tax for the taxable year 1943 shall be increased by such excess; except that if such taxpayer is in active service in the military or naval forces of the United States at any time during the taxable year 1942 or 1943, the tax for the taxable year 1943 shall not be increased by any portion of such excess which is attributable to earned net income (as defined in section 25 (a) (4), as determined under regulations prescribed by the Commissioner with the approval of the Secretary).

(c) Special rule where increased income.—

(1) Tax for 1942 less than that for 1943: In the case of a taxpayer whose tax for the taxable year 1942 is discharged under subsection (a), and (in cases in which the tax for such taxable year, determined in the same manner as under subsection (b), is less than that for the taxable year 1943, similarly determined) whose surtax net income for the base year plus \$10,000 is less than that for the taxable year 1942, the liability discharged under subsection (a) shall be limited to an amount equal to a tentative tax computed as if the portion of the surtax net income for such taxable year which is not greater than the sum of the surtax net income for the base year plus \$10,000 constituted both the surtax net income for such taxable year 1942, and the net income for such taxable year after allowance of all credits against net income;

(2) Tax for 1942 not less than that for 1943. In the case of a taxpayer whose tax

for the taxable year 1942 is discharged under subsection (a), and (in cases in which the tax for such taxable year, determined in the same manner as under subsection (b), is equal to or greater than that for the taxable year 1943, similarly determined), whose surtax net income for the base year plus \$10,000 is less than that for the taxable year 1943, the liability discharged under subsection (a) shall be limited to an amount equal to a tentative tax for the taxable year 1943 computed as if the portion of the surtax net income for such taxable year which is not greater than the sum of the surtax net income for the base year plus \$10,000 constituted both the surtax net income for the taxable year 1943, and the net income for such taxable year after allowance of all credits against net income.

The portion of the liability which is not discharged under subsection (a) by reason of paragraph (1) of this subsection shall be discharged, but the tax for the taxable year 1943 shall be increased by an amount equal to such portion. The portion of the liability which is not discharged under subsection (a) by reason of paragraph (2) of this subsection shall be discharged, but the tax for the taxable year 1943 shall be increased by the excess of such portion over the amount by which the tax for such taxable year is increased under subsection (b). For the purposes of this subsection "base year" means any one of the taxable years 1938, 1939, or 1940, to be selected by the taxpayer. The amount by which the tax for the taxable year 1943 is increased by reason of this subsection shall not be held or considered to be a part of the tax for such taxable year for the purposes of sections 58, 59, 60, and 294 (a) (3), (4), and (5) of the Internal Revenue Code. That portion of the compensation which is received or accrued in the taxable year 1942 (if the tax for such year is less than that for the taxable year 1943), or in the taxable year 1943 (if the tax for such year is equal to or less than that for the taxable year 1942), and which under section 107 of the Internal Revenue Code is, for the purposes of that section, attributed to the base year, shall for the purposes of this subsection be excluded in computing the surtax net income for the taxable year 1942 or 1943, as the case may be, and be included in computing the surtax net income for the base year. This subsection shall be applied in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

(d) Extension of time for payment of increase in 1943 tax under subsection (c): At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall, except as hereinafter provided, extend the time for the payment of the portion of the tax for the taxable year 1943 equal to the increase therein under subsection (c), in which case such portion shall be paid in four equal annual installments, the first of which shall be paid on the fifteenth day of the fifteenth month following the close of the taxable year, and of the remaining installments one of which shall be paid on the last day of each succeeding 12-month period, except that any installment may be paid prior to the date prescribed for its payment. The Commissioner may condition the extension upon the furnishing by the taxpayer of a bond in such amount, not exceeding the amount of such increase, with such surety or sureties, as the Commissioner deems necessary, conditioned upon the payment of such amount in accordance with the terms of the extension. If the time for the payment of such portion is extended, there shall be collected, as a part of the tax, interest on each installment at the rate of 4 percent per annum for the period beginning with the date prescribed for the payment of the tax for such taxable year and ending with the date on which such

installment is paid or the date on which it is payable, whichever is the earlier. If any installment is not paid on or before the date on which it is payable, it and the remaining installments shall be paid upon notice and demand from the Collector. If any installment is not paid on or before the date on which it is payable, there shall be collected, as part of the tax, interest on such installment at the rate of 6 percent per annum for the period beginning with the date on which such installment is payable and ending with the date on which it is paid.

(e) Rules for application of subsections (b) and (c): The credit against the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1943 allowed by section 31 of such chapter (relating to taxes of foreign countries and of possessions of the United States), shall be determined without regard to subsections (b) and (c). Sections 105, 106, and 107 of such chapter (relating to limitations on tax) shall be applied without regard to subsections (b) and (c). If the taxpayer either for the taxable year 1942 or for the taxable year 1943 makes a joint return with his spouse, the taxes of the spouses for the taxable year for which a joint return is not made shall be aggregated for the purposes of subsections (b) and (c), and in case the taxable year for which a joint return is not made is the taxable year 1943, the liability for the increase in the tax for the taxable year 1943 under subsections (b) and (c), shall be joint and several.

(f) Special rule where taxpayer dies in taxable year 1942: If the individual dies during the taxable year 1942, subsection (a) shall not apply.

(g) Treatment of payments on account of 1942 tax: Any payment (other than interest and additions to the tax) made on account of the tax imposed by chapter 1 of the Internal Revenue Code for the taxable year 1942 upon a taxpayer any part of whose liability for such tax is discharged under subsection (a) shall be considered as payment on account of the estimated tax for the taxable year 1943. In the case of any extension of time for the payment of such tax granted by the Commissioner prior to September 1, 1943, payment of the portion thereof which if such extension had not been granted would have been payable under section 56 (b) prior to such date shall be made notwithstanding subsection (a), but the foregoing provisions of this subsection shall apply to any such payment. In case the taxpayer becomes delinquent, prior to September 1, 1943, in the payment of such tax or any installment thereof, subsection (a) shall not relieve the taxpayer of his liability for the tax, but the foregoing provisions of this subsection shall be applicable to payment of such liability. If any payment on account of the tax imposed by such chapter for the taxable year 1942 is made pursuant to a joint return made by husband and wife for such taxable year, and such payment is considered as a payment on account of the estimated tax for the taxable year 1943, such payment may be treated as a payment on account of the estimated tax of either the husband or the wife for such taxable year or may be divided between them.

(h) Use of term "taxable year": For the purposes of this section the terms "taxable year 1938," "taxable year 1939," "taxable year 1940," "taxable year 1942," and "taxable year 1943" mean, respectively, the taxable year beginning in 1938, 1939, 1940, 1942, and 1943, respectively; and "taxable year" as applied to the taxable year 1942 or 1943 shall not include any period of less than 12 months unless occasioned by the death of the tax-

payer or unless there is no taxable year of 12 months beginning in such calendar year. Sec. 7. Additional allowance for members of armed forces.

(a) In general: Section 22 (b) (13) of the Internal Revenue Code (relating to additional allowance for military and naval personnel in computing net income) is amended to read as follows:

"(13) Additional allowance for military and naval personnel: In the case of compensation received during any taxable year and before the termination of the present war as proclaimed by the President, by a member of the military or naval forces of the United States for active service in such forces during such war, so much of such compensation as does not exceed \$1,500."

(b) Effective date: The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1942.

Sec. 8. Abatement of tax for members of armed forces upon death.

Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

"SUPPLEMENT U—ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES UPON DEATH

"Sec. 421. Abatement of tax for members of armed forces upon death.

"In the case of any individual who dies on or after December 7, 1941, while in active service as a member of the military or naval forces of the United States and prior to the termination of the present war as proclaimed by the President, the tax under this chapter (including interest, additions to the tax, and additional amounts) attributable to earned net income (as defined in section 25 (a) (4)) received or accrued by him shall not be assessed, and if assessed, the assessment shall be abated, and if collected shall be credited or refunded as an overpayment, in the following amounts and for the following taxable years:

"(1) if such individual entered upon such service before the commencement of the taxable year beginning in 1943:

"(A) the entire amount of the tax so attributable for the taxable year in which falls the date on which he entered upon such service or September 16, 1940, whichever date is the later;

"(B) the entire amount of the tax so attributable for all subsequent taxable years during which he was in such service; and

"(C) that portion of the tax so attributable for the taxable year last preceding the date on which he entered upon such service or September 16, 1940, whichever date is the later, which bears the same ratio to the total tax so attributable as the number of quarters in the taxable year described in subparagraph (A) subsequent to the date on which he entered upon such service or September 16, 1940, whichever date is the later, bears to four; or

"(2) if such individual entered upon such service during the taxable year beginning in 1943:

"(A) that portion of the tax for the taxable year beginning in 1943, reduced by the increase under section 6 (c) of the Current Tax Payment Act of 1943, which bears the same ratio to the total tax so reduced as the number of quarters in such taxable year subsequent to the date on which he entered upon such service bears to four, to the extent that such portion is so attributable; and

"(B) the entire amount of the tax so attributable for all subsequent taxable years during which he was in such service; or

(3) if such individual entered upon such service after the close of the taxable year beginning in 1943, the entire amount of the

tax so attributable for all taxable years during the whole of which he was in such service. The computations required by this section shall be made in conformity with regulations prescribed by the Commissioner with the approval of the Secretary. For the purposes of this section, a fractional part of a quarter shall be disregarded unless it exceeds 15 days, in which case it shall be considered a quarter."

Sec. 9. Assistant commissioners.

Subchapter B of chapter 39 of the Internal Revenue Code is amended to read as follows:

"SUBCHAPTER B—ASSISTANT COMMISSIONERS

"Sec. 3905. Appointment.

"There shall be in the Bureau of Internal Revenue two Assistant Commissioners, who shall be appointed by the President, by and with the advice and consent of the Senate.

"Sec. 3906. Duties.

"The Assistant Commissioners shall perform such duties as may be prescribed by the Commissioner or required by law."

Sec. 10. Extension of time in connection with release of powers of appointment.

Section 403 (d) (3) of the Revenue Act of 1942 is amended by striking out "July 1, 1943" wherever it appears and inserting in lieu thereof "March 1, 1944"; and section 452 (c) of the Revenue Act of 1942 is amended to read as follows:

"(c) Release before March 1, 1944.—

"(1) A release of a power to appoint before March 1, 1944, shall not be deemed a transfer of property by the individual possessing such power.

"(2) This subsection shall apply to all calendar years prior to 1944 and to that part of the calendar year 1944 prior to March 1, 1944."

Mr. GEORGE. Mr. President, I ask unanimous consent that the bill be printed with the Senate amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GEORGE. I ask unanimous consent that the clerk be authorized to make corrections in the section numbering and lettering, and in the cross references, and to correct any typographical errors.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. GEORGE. Mr. President, I move that the Senate insist upon its amendment, request a conference with the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. GEORGE, Mr. WALSH, Mr. CONNALLY, Mr. CLARK of Missouri, Mr. LA FOLLETTE, Mr. VANDENBERG, and Mr. DAVIS conferees on the part of the Senate.

Mr. LA FOLLETTE. Mr. President, I am so out of sympathy with the action taken by the Senate that I ask to be relieved from service on the conference committee.

The PRESIDING OFFICER. The Senator from Wisconsin has that right, and the Chair appoints in place of the Senator from Wisconsin, the Senator from Connecticut [Mr. DANAHY].

ORDER FOR ADJOURNMENT TO MONDAY

Mr. HILL. Mr. President, I ask unanimous consent that when the Senate con-

cludes its business today it adjourn until Monday next.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

EXECUTIVE SESSION

Mr. HILL. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORTS OF A COMMITTEE

The following favorable reports of nominations were submitted:

By Mr. CHANDLER, from the Committee on Military Affairs:

Col. Robert Wood Johnson for temporary appointment as brigadier general, Army of the United States, under the provisions of law; and

Sundry citizens for appointment under the War Manpower Commission in various States.

The PRESIDING OFFICER (Mr. Russell in the chair). Are there further reports of committees?

LYNN R. EDMISTER

Mr. GEORGE. Mr. President, from the Committee on Finance I report favorably the nomination of Lynn R. Edminster, of Illinois, to be a member of the United States Tariff Commission for the term expiring June 16, 1949. This is a reappointment, and there are especially strong reasons why the nomination should be confirmed at once. The nominee is from the State of Illinois, and has been recommended by both the Senators from that State. No objection has been heard, and since this is a reappointment, I ask unanimous consent for the immediate consideration of the nomination.

Mr. McNARY. In view of the statement made by the distinguished Senator from Georgia, I have no objection.

The PRESIDING OFFICER. If there is no objection, the clerk will state the nomination.

The legislative clerk read the nomination of Lynn R. Edminster to be a member of the United States Tariff Commission.

The nomination was confirmed.

The PRESIDING OFFICER. If there are no further reports of committees, the clerk will proceed to state the nominations on the calendar.

SECURITIES AND EXCHANGE COMMISSION

The legislative clerk read the nomination of Sumner T. Pike to be a member of the Securities and Exchange Commission.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

UNITED STATES PUBLIC HEALTH SERVICE

The legislative clerk proceeded to read sundry nominations in the United States Public Health Service.

Mr. HILL. I ask unanimous consent that the Public Health Service nominations be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominations are confirmed en bloc.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. HILL. I ask unanimous consent that the postmaster nominations be confirmed en bloc, with the exception of the nomination of John F. Leonard to be postmaster at Marmarth, N. Dak. At the request of the junior Senator from North Dakota [Mr. Langer] I ask that that nomination be passed over.

The PRESIDING OFFICER. Without objection, the nomination of John F. Leonard will be passed over, and without objection, the other postmaster nominations are confirmed en bloc.

THE NAVY

The legislative clerk read the nomination of Capt. Laurance T. DuBose to be rear admiral.

Mr. WALSH. I move that the nomination be confirmed.

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to this nomination?

The nomination was confirmed.

The legislative clerk read the nomination of Rear Admiral Charles P. Snyder to be placed on the retired list with the rank of admiral.

Mr. WALSH. I move that the nomination be confirmed.

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to this nomination?

The nomination was confirmed.

Mr. HILL. Mr. President, I ask that the President be notified forthwith of all confirmations of today.

The PRESIDING OFFICER. Without objection, the President will be immediately notified.

DEATH OF REPRESENTATIVE ENGLEBRIGHT, OF CALIFORNIA

Mr. HILL. I move that the Senate resume consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

The PRESIDING OFFICER (Mr. Russell in the chair) laid before the Senate the resolutions of the House of Representatives (H. Res. 235), which were read as follows:

IN THE HOUSE OF REPRESENTATIVES,

May 13, 1943.

Resolved, That the House has heard with profound sorrow of the death of Hon. HARRY L. ENGLEBRIGHT, a Representative from the State of California.

Resolved, That a committee of eight Members of the House with such Members of the Senate as may be joined be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out

the provisions of these resolutions and that the necessary expenses in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

Resolved, That as a further mark of respect the House do now adjourn.

Mr. McNARY. Mr. President, in the absence of the senior Senator from California [Mr. JOHNSON] due to illness, on his behalf I submit the resolutions which I send to the desk.

The PRESIDING OFFICER. The resolutions will be read.

The resolutions (S. Res. 151) were read, considered by unanimous consent and unanimously agreed to, as follows:

Resolved, That the Senate has heard with profound sorrow the announcement of the death of Hon. HARRY L. ENGLEBRIGHT, late a Representative from the State of California.

Resolved, That a committee of four Senators be appointed by the Vice President to join the committee appointed on the part of the House of Representatives to attend the funeral of the deceased Representative.

Resolved, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

Under the second resolving clause the Presiding Officer appointed the Senators from California [Mr. JOHNSON and Mr. DOWNEY], the Senator from Utah [Mr. MURDOCK], and the Senator from Nevada [Mr. SCRUGHAM], the committee on the part of the Senate to join with the committee on the part of the House to attend the funeral of the deceased Representative.

Mr. DOWNEY. Mr. President, I wish to say that in the death of Mr. Englebright, California has lost one of its most highly respected, able, and popular Representatives. His death will be deplored by all. It was a great shock to all of us who have known him. It is my intention to proceed to California myself for Mr. Englebright's funeral.

Mr. McNARY. Mr. President, on behalf of the senior Senator from California [Mr. JOHNSON], I move that the Senate do now adjourn as a further mark of respect to the memory of the deceased Representative.

The motion was unanimously agreed to, and at 7 o'clock and 35 minutes p. m., the Senate adjourned, the adjournment being, under the order previously entered, until Monday, May 17, 1943, at 12 o'clock noon.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 14 (legislative day of May 12), 1943:

UNITED STATES TARIFF COMMISSION

Lynn R. Edminster to be a member of the United States Tariff Commission for the term expiring June 16, 1949.

SECURITIES AND EXCHANGE COMMISSION

Sumner T. Pike, to be a member of the Securities and Exchange Commission for the term expiring June 5, 1948.

78TH CONGRESS
1ST SESSION

H. R. 2570

IN THE SENATE OF THE UNITED STATES

MAY 14 (legislative day, MAY 12), 1943

Ordered to be printed with the amendment of the Senate

AN ACT

To provide for the current payment of the individual income tax,
and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That ~~(a)~~ this Act may be cited as the "Current Tax Pay-
4 ment Act of 1943".

5 ~~(b)~~ MEANING OF TERMS USED.—Except as otherwise
6 expressly provided, terms used in this Act shall have the same
7 meaning as when used in the Internal Revenue Code.

8 SEC. 2. COLLECTION OF TAX AT SOURCE ON WAGES.

9 ~~(a)~~ IN GENERAL.—Part II of Subchapter D of Chapter
10 1 of the Internal Revenue Code ~~(relating to collection of~~
11 ~~tax at source on wages)~~ is amended to read as follows:

1 **“Part II—Collection of Tax at Source on Wages**

2 **“SEC. 465. DEFINITIONS.**

3 ~~“As used in this part—~~

4 ~~“(a) WAGES.—The term ‘wages’ means all remunera-~~
5 ~~tion (other than fees paid to a public official) for services~~
6 ~~performed by an employee for his employer, including the~~
7 ~~cash value of all remuneration paid in any medium other~~
8 ~~than cash; except that such term shall not include remunera-~~
9 ~~tion paid—~~

10 ~~“(1) for services performed as a member of the~~
11 ~~military or naval forces of the United States, other than~~
12 ~~pensions and retired pay included in gross income, or~~

13 ~~“(2) for agricultural labor (as defined in section~~
14 ~~1426 (h)), or~~

15 ~~“(3) for domestic service in a private home, local~~
16 ~~college club, or local chapter of a college fraternity or~~
17 ~~sorority, or~~

18 ~~“(4) for casual labor not in the course of the em-~~
19 ~~ployer’s trade or business, or~~

20 ~~“(5) for services by a citizen or resident of the~~
21 ~~United States for a foreign government or for the govern-~~
22 ~~ment of the Commonwealth of the Philippines, or~~

23 ~~“(6) for services performed by a nonresident alien~~

individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals, or

“(7) for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary, or

“(8) for services for an employer performed by a citizen or resident of the United States while outside the United States (as defined in section 3797 (a) (9)) if the major part of the services for such employer during the calendar year is to be performed outside the United States, or

“(9) for services performed as a minister of the gospel.

For the purpose of paragraph (8) services performed on or in connection with an American vessel (as defined in section 1426 (g)) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in connection with any vessel as an employee of the

1 United States employed through the War Shipping Ad-
 2 ministration, shall not constitute services performed outside
 3 the United States.

4 “(b) PAYROLL PERIOD.—The term ‘payroll period’
 5 means a period for which a payment of wages is ordinarily
 6 made to the employee by his employer.

7 “(c) EMPLOYEE.—The term ‘employee’ includes an
 8 officer, employee, or elected official of the United States, a
 9 State, Territory, or any political subdivision thereof, or the
 10 District of Columbia, or any agency or instrumentality of any
 11 one or more of the foregoing. The term ‘employee’ also
 12 includes an officer of a corporation.

13 “(d) EMPLOYER.—The term ‘employer’ means any
 14 person for whom an individual performs or performed any
 15 service, of whatever nature, as the employee of such person,
 16 except that if the wages paid to an individual are paid by
 17 a person other than the person for whom the services are
 18 or were performed, the term ‘employer’ (except for the pur-
 19 poses of subsection (a)) means the person paying such
 20 wages.

21 “(e) SINGLE PERSON.—The term ‘single person’ means
 22 a person with respect to whom a withholding exemption
 23 certificate is in effect under section 466 (h) stating that

1 such person is single, or is married and not living with hus-
 2 band or wife, and is not the head of a family.

3 “~~(f)~~ MARRIED PERSON.—The term ‘married person’
 4 means a person with respect to whom a withholding exemp-
 5 tion certificate is in effect under section 466 ~~(h)~~ stating that
 6 he is married and living with husband or wife.

7 “~~(g)~~ MARRIED PERSON CLAIMING ALL OF PERSONAL
 8 EXEMPTION FOR WITHHOLDING.—The term ‘married per-
 9 son claiming all of personal exemption for withholding’ means
 10 a married person with respect to whom a withholding ex-
 11 emption certificate is in effect under section 466 ~~(h)~~ stating
 12 that for the purposes of this part such person claims all of
 13 the personal exemption and that for the purposes of this part
 14 his spouse is claiming none of the personal exemption.

15 “~~(h)~~ MARRIED PERSON CLAIMING HALF OF PERSONAL
 16 EXEMPTION FOR WITHHOLDING.—The term ‘married per-
 17 son claiming half of the personal exemption for withholding’
 18 means a married person with respect to whom a withholding
 19 exemption certificate is in effect under section 466 ~~(h)~~ stat-
 20 ing that for the purposes of this part such person claims half
 21 of the personal exemption.

22 “~~(i)~~ MARRIED PERSON CLAIMING NONE OF PERSONAL
 23 EXEMPTION FOR WITHHOLDING.—The term ‘married person

1 claiming none of the personal exemption for withholding'
 2 means a married person with respect to whom a withholding
 3 exemption certificate is in effect under section 466 (h) mak-
 4 ing no claim with respect to the personal exemption for the
 5 purposes of this part.

6 “(j) HEAD OF FAMILY.—The term ‘head of a family’
 7 means a person with respect to whom a withholding exemp-
 8 tion certificate is in effect under section 466 (h) stating that
 9 he is the head of a family.

10 “(k) DEPENDENT.—The term ‘dependent’ means a per-
 11 son included in a withholding exemption certificate in effect
 12 under section 466 (h) as a person dependent upon and re-
 13 ceiving his chief support from the employee and either under
 14 eighteen years of age or incapable of self support because
 15 mentally or physically defective.

16 “SEC. 466. TAX COLLECTED AT SOURCE.

17 “(a) REQUIREMENT OF WITHHOLDING.—Every em-
 18 ployer making payment of wages to any individual shall
 19 withhold and collect upon such wages a tax as follows:

20 “(1) 17 per centum of the excess of each payment
 21 of such wages over the withholding exemption allowable
 22 under subsection (b) (1) (A); and

23 “(2) 3 per centum of the excess of each payment

of such wages over the withholding exemption allowable under subsection (b) (1) (B).

“(b) WITHHOLDING EXEMPTION.—

“(1) In computing the tax required to be withheld under subsection (a), there shall be allowed as an exemption with respect to the wages paid for each payroll period—

“(A) in computing the portion thereof required to be withheld under subsection (a) (1), an amount determined in accordance with the following schedule:

Payroll Period	Single Person	Married Person Claiming Whole of Personal Exemption for Withholding or Head of Family	Married Person Claiming Half of Personal Exemption for Withholding	Married Person Claiming None of Personal Exemption for Withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly.....	\$11	\$26	\$13	0	\$8
Biweekly.....	\$22	\$52	\$26	0	\$16
Semimonthly....	\$23	\$55	\$27.50	0	\$17
Monthly.....	\$46	\$110	\$55	0	\$34
Quarterly.....	\$138	\$330	\$165	0	\$102
Semiannual.....	\$276	\$660	\$330	0	\$204
Annual.....	\$552	\$1,320	\$660	0	\$408
Daily or miscellaneous (per day of such period).....	\$1.50	\$2.60	\$1.80	0	\$1.10

1 “(B) in computing the portion thereof re-
 2 quired to be withheld under subsection (a) (2),
 3 an amount determined in accordance with the fol-
 4 lowing schedule:

“Payroll Period	Withholding Exemption
Weekly -----	\$12.00
Biweekly -----	24.00
Semimonthly -----	26.00
Monthly -----	52.00
Quarterly -----	156.00
Semiannual -----	312.00
Annual -----	624.00
Daily or Miscellaneous (per day of such period) -----	1.70

5 “(2) If wages are paid with respect to a period
 6 which is not a payroll period, the exemption allowable
 7 with respect to each payment of such wages shall be the
 8 exemption allowed for a miscellaneous payroll period
 9 containing a number of days equal to the number of days
 10 in the period with respect to which such wages are
 11 paid.

12 “(3) In any case in which wages are paid by an
 13 employer without regard to any payroll period or other
 14 period, the exemption allowable with respect to each
 15 payment of such wages shall be the exemption allowed
 16 for a miscellaneous payroll period containing a number

1 of days equal to the number of days (including Sundays
 2 and holidays) which have elapsed since the date of the
 3 last payment of such wages by such employer during
 4 the calendar year, or the date of commencement of em-
 5 ployment with such employer during such year, or
 6 January 1 of such year, whichever is the later.

7 “(4) In any case in which the period, or the time
 8 described in paragraph (3), in respect of any wages is
 9 less than one week, at the election of the employer the
 10 excess of the aggregate of the wages paid to the em-
 11 ployee during the calendar week over the exemption
 12 allowed by this subsection for a weekly payroll period
 13 may be used in computing the tax required to be with-
 14 held.

15 “(c) WAGE BRACKET WITHHOLDING.—

16 “(1) At the election of the employer with respect
 17 to any employee, the employer shall deduct and withhold
 18 upon the wages paid to such employee a tax determined
 19 in accordance with the following tables, which shall be
 20 in lieu of the tax required to be withheld under sub-
 21 section (a):

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	-----	-----	-----	-----	-----	-----
10	15	\$0.20					
15	20	1.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	2.20	.00	.30	.30	.30	.30
25	30	3.20	1.00	.50	.50	.50	.50
30	40	4.80	3.40	2.00	.70	.70	.70
40	50	6.80	5.40	4.00	2.70	1.20	1.00
50	60	8.80	7.40	6.00	4.70	3.20	2.00
60	70	10.80	9.40	8.00	6.70	5.20	4.00
70	80	12.80	11.40	10.00	8.70	7.20	6.00
80	90	14.80	13.40	12.00	10.70	9.20	8.00
90	100	16.80	15.40	14.00	12.70	11.20	10.00
100	110	18.80	17.40	16.00	14.70	13.20	12.00
110	120	20.80	19.40	18.00	16.70	15.20	14.00
120	130	22.80	21.40	20.00	18.70	17.20	16.00
130	140	24.80	23.40	22.00	20.70	19.20	18.00
140	150	26.80	25.40	24.00	22.70	21.20	20.00
150	160	28.80	27.40	26.00	24.70	23.20	22.00
160	170	30.80	29.40	28.00	26.70	25.20	24.00
170	180	32.80	31.40	30.00	28.70	27.20	26.00
180	190	34.80	33.40	32.00	30.70	29.20	28.00
190	200	36.80	35.40	34.00	32.70	31.20	30.00
\$200 or over...		20% of the excess over \$200 plus					
		\$37.80	\$36.40	\$35.00	\$33.70	\$32.30	\$31.00

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.25 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	-----	-----	-----	-----	-----	-----
10	15	-----	-----	-----	-----	-----	-----
15	20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	.30	.30	.30	.30	.30	.30
25	30	.70	.50	.50	.50	.50	.50
30	40	2.20	.90	.70	.70	.70	.70
40	50	4.20	2.90	1.50	1.00	1.00	1.00
50	60	6.20	4.90	2.50	2.10	1.30	1.30
60	70	8.20	6.90	5.50	4.10	2.80	1.60
70	80	10.20	8.90	7.50	6.10	4.80	2.40
80	90	12.20	10.90	9.50	8.10	6.80	5.40
90	100	14.20	12.90	11.50	10.10	8.80	7.40
100	110	16.20	14.90	13.50	12.10	10.80	9.40
110	120	18.20	16.90	15.50	14.10	12.80	11.40
120	130	20.20	18.90	17.50	16.10	14.80	13.40
130	140	22.20	20.90	19.50	18.10	16.80	15.40
140	150	24.20	22.90	21.50	20.10	18.80	17.40
150	160	26.20	24.90	23.50	22.10	20.80	19.40
160	170	28.20	26.90	25.50	24.10	22.80	21.40
170	180	30.20	28.90	27.50	26.10	24.80	23.40
180	190	32.20	30.90	29.50	28.10	26.80	25.40
190	200	34.20	32.90	31.50	30.10	28.80	27.40
\$200 or over		20% of the excess over \$200 plus					
		\$35.20	\$33.90	\$32.50	\$31.10	\$29.80	\$28.40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	-----	-----	-----	-----	-----	-----
10	15						
15	20	\$0.00	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	1.00	.60	.30	.30	.30	.30
25	30	2.00	1.60	.50	.50	.50	.50
30	40	4.40	3.10	1.70	.70	.70	.70
40	50	6.40	5.10	3.70	2.30	1.00	1.00
50	60	8.40	7.10	5.70	4.30	3.00	1.60
60	70	10.40	9.10	7.70	6.30	5.00	3.60
70	80	12.40	11.10	9.70	8.30	7.00	5.60
80	90	14.40	13.10	11.70	10.30	9.00	7.60
90	100	16.40	15.10	13.70	12.30	11.00	9.60
100	110	18.40	17.10	15.70	14.30	13.00	11.60
110	120	20.40	19.10	17.70	16.30	15.00	13.60
120	130	22.40	21.10	19.70	18.30	17.00	15.60
130	140	24.40	23.10	21.70	20.30	19.00	17.60
140	150	26.40	25.10	23.70	22.30	21.00	19.60
150	160	28.40	27.10	25.70	24.30	23.00	21.60
160	170	30.40	29.10	27.70	26.30	25.00	23.60
170	180	32.40	31.10	29.70	28.30	27.00	25.60
180	190	34.40	33.10	31.70	30.30	29.00	27.60
190	200	36.40	35.10	33.70	32.30	31.00	29.60
\$200 or over		20% of the excess over \$200 plus					
		\$37.40	\$36.10	\$34.70	\$33.30	\$32.00	\$30.60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	\$0.80					
10	15	2.10	\$0.80				
15	20	3.10	1.80	\$0.40	\$0.20	\$0.20	\$0.20
20	25	4.10	2.80	1.40	.20	.20	.20
25	30	5.10	3.80	2.40	1.10	.50	.50
30	40	6.60	5.30	3.90	2.60	1.20	.70
40	50	8.60	7.30	5.90	4.60	3.20	1.80
50	60	10.60	9.30	7.90	6.60	5.20	3.80
60	70	12.60	11.30	9.90	8.60	7.20	5.80
70	80	14.60	13.30	11.90	10.60	9.20	7.80
80	90	16.60	15.30	13.90	12.60	11.20	9.80
90	100	18.60	17.30	15.90	14.60	13.20	11.80
100	110	20.60	19.30	17.90	16.60	15.20	13.80
110	120	22.60	21.30	19.90	18.60	17.20	15.80
120	130	24.60	23.30	21.90	20.60	19.20	17.80
130	140	26.60	25.30	23.90	22.60	21.20	19.80
140	150	28.60	27.30	25.90	24.60	23.20	21.80
150	160	30.60	29.30	27.90	26.60	25.20	23.80
160	170	32.60	31.30	29.90	28.60	27.20	25.80
170	180	34.60	33.30	31.90	30.60	29.20	27.80
180	190	36.60	35.30	33.90	32.60	31.20	29.80
190	200	38.60	37.30	35.90	34.60	33.20	31.80
\$200 or over...		20% of the excess over \$200 plus					
		\$39.60	\$38.30	\$36.90	\$35.60	\$34.20	\$32.80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is weekly

And the wages are		And such person is head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	-----	-----	-----	-----	-----	-----
10	15	-----	-----	-----	-----	-----	-----
15	20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
20	25	.30	.30	.30	.30	.30	.30
25	30	.70	.70	.50	.50	.50	.50
30	40	2.20	2.20	.90	.70	.70	.70
40	50	4.20	4.20	2.90	1.50	1.00	1.00
50	60	6.20	6.20	4.90	3.50	2.10	1.30
60	70	8.20	8.20	6.90	5.50	4.10	2.80
70	80	10.20	10.20	8.90	7.50	6.10	4.80
80	90	12.20	12.20	10.90	9.50	8.10	6.80
90	100	14.20	14.20	12.90	11.50	10.10	8.80
100	110	16.20	16.20	14.90	13.50	12.10	10.80
110	120	18.20	18.20	16.90	15.50	14.10	12.80
120	130	20.20	20.20	18.90	17.50	16.10	14.80
130	140	22.20	22.20	20.90	19.50	18.10	16.80
140	150	24.20	24.20	22.90	21.50	20.10	18.80
150	160	26.20	26.20	24.90	23.50	22.10	20.80
160	170	28.20	28.20	26.90	25.50	24.10	22.80
170	180	30.20	30.20	28.90	27.50	26.10	24.80
180	190	32.20	32.20	30.90	29.50	28.10	26.80
190	200	34.20	34.20	32.90	31.50	30.10	28.80
\$200 or over...		20% of the excess over \$200 plus					
		\$35.20	\$35.20	\$33.90	\$32.50	\$31.10	\$29.80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$1.35 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30	\$0.50					
30	40	2.50	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	4.50	1.80	.60	.60	.60	.60
50	60	6.50	3.80	1.10	.90	.90	.90
60	80	9.50	6.80	4.10	1.40	1.40	1.40
80	100	13.50	10.80	8.10	5.40	2.70	2.00
100	120	17.50	14.80	12.10	9.40	6.70	3.90
120	140	21.50	18.80	16.10	13.40	10.70	7.90
140	160	25.50	22.80	20.10	17.40	14.70	11.90
160	180	29.50	26.80	24.10	21.40	18.70	15.90
180	200	33.50	30.80	28.10	25.40	22.70	19.90
200	220	37.50	34.80	32.10	29.40	26.70	23.90
220	240	41.50	38.80	36.10	33.40	30.70	27.90
240	260	45.50	42.80	40.10	37.40	34.70	31.90
260	280	49.50	46.80	44.10	41.40	38.70	35.90
280	300	53.50	50.80	48.10	45.10	42.70	39.90
300	320	57.50	54.80	52.10	49.40	46.70	43.90
320	340	61.50	58.80	56.10	53.40	50.70	47.90
340	360	65.50	62.80	60.10	57.40	54.70	51.90
360	380	69.50	66.80	64.10	61.40	58.70	55.90
380	400	73.50	70.80	68.10	65.40	62.70	59.90
\$400 or over---		20% of the excess over \$400 plus					
		\$75.50	\$72.80	\$70.10	\$67.40	\$64.70	\$61.90

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	-----	-----	-----	-----	-----	-----
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	1.40	.90	.90	.90	.90	.90
60	80	4.40	1.70	1.40	1.40	1.40	1.40
80	100	8.40	5.70	2.00	2.00	2.00	2.00
100	120	12.40	9.70	7.00	4.30	2.60	2.60
120	140	16.40	13.70	11.00	8.30	5.60	3.20
140	160	20.40	17.70	15.00	12.30	9.60	6.80
160	180	24.40	21.70	19.00	16.30	13.60	10.80
180	200	28.40	25.70	23.00	20.30	17.60	14.80
200	220	32.40	29.70	27.00	24.30	21.60	18.80
220	240	36.40	33.70	31.00	28.30	25.60	22.80
240	260	40.40	37.70	35.00	32.30	29.60	26.80
260	280	44.40	41.70	39.00	36.30	33.60	30.80
280	300	48.40	45.70	43.00	40.30	37.60	34.80
300	320	52.40	49.70	47.00	44.30	41.60	38.80
320	340	56.40	53.70	51.00	48.30	45.60	42.80
340	360	60.40	57.70	55.00	52.30	49.60	46.80
360	380	64.40	61.70	59.00	56.30	53.60	50.80
380	400	68.40	65.70	63.00	60.30	57.60	54.80
\$400 or over...		20% of the excess over \$400 plus					
		\$70.40	\$67.70	\$65.00	\$62.30	\$59.60	\$56.80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$1.00	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	3.00	1.10	.60	.60	.60	.60
50	60	5.00	3.10	.90	.90	.90	.90
60	80	8.00	6.10	3.40	1.40	1.40	1.40
80	100	12.00	10.10	7.40	4.70	2.00	2.00
100	120	16.00	14.10	11.40	8.70	6.00	3.30
120	140	20.00	18.10	15.40	12.70	10.00	7.30
140	160	24.00	22.10	19.40	16.70	14.00	11.30
160	180	28.00	26.10	23.40	20.70	18.00	15.30
180	200	32.00	30.10	27.40	24.70	22.00	19.30
200	220	36.00	34.10	31.40	28.70	26.00	23.30
220	240	40.00	38.10	35.40	32.70	30.00	27.30
240	260	44.00	42.10	39.40	36.70	34.00	31.30
260	280	48.00	46.10	43.40	40.70	38.00	35.30
280	300	52.00	50.10	47.40	44.70	42.00	39.30
300	320	56.00	54.10	51.40	48.70	46.00	43.30
320	340	60.00	58.10	55.40	52.70	50.00	47.30
340	360	64.00	62.10	59.40	56.70	54.00	51.30
360	380	68.00	66.10	63.40	60.70	58.00	55.30
380	400	72.00	70.10	67.40	64.70	62.00	59.30
\$400 or over		20% of the excess over \$400 plus					
		\$74.00	\$72.10	\$69.40	\$66.70	\$64.00	\$61.30

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	\$1.70					
20	30	4.30	\$1.60				
30	40	6.30	3.60	\$0.80	\$0.30	\$0.30	\$0.30
40	50	8.30	5.60	2.80	.60	.60	.60
50	60	10.30	7.60	4.80	2.10	.90	.90
60	80	13.30	10.60	7.80	5.10	2.40	1.40
80	100	17.30	14.60	11.80	9.10	6.40	3.70
100	120	21.30	18.60	15.80	13.10	10.40	7.70
120	140	25.30	22.60	19.80	17.10	14.40	11.70
140	160	29.30	26.60	23.80	21.10	18.40	15.70
160	180	33.30	30.60	27.80	25.10	22.40	19.70
180	200	37.30	34.60	31.80	29.10	26.40	23.70
200	220	41.30	38.60	35.80	33.10	30.40	27.70
220	240	45.30	42.60	39.80	37.10	34.40	31.70
240	260	49.30	46.60	43.80	41.10	38.40	35.70
260	280	53.30	50.60	47.80	45.10	42.40	39.70
280	300	57.30	54.60	51.80	49.10	46.40	43.70
300	320	61.30	58.60	55.80	53.10	50.40	47.70
320	340	65.30	62.60	59.80	57.10	54.40	51.70
340	360	69.30	66.60	63.80	61.10	58.40	55.70
360	380	73.30	70.60	67.80	65.10	62.40	59.70
380	400	77.30	74.60	71.80	69.10	66.40	63.70
\$400 or over...		20% of the excess over \$200 plus					
		\$79.30	\$76.60	\$73.80	\$71.10	\$68.40	\$65.70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependent reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$100 or over, of the excess of the wages) over \$24, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And such person is the head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	-----	-----	-----	-----	-----	-----
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	1.40	1.40	.90	.90	.90	.90
60	80	4.40	4.40	1.70	1.40	1.40	1.40
80	100	8.40	8.40	5.70	3.00	2.00	2.00
100	120	12.40	12.40	9.70	7.00	4.30	2.60
120	140	16.40	16.40	13.70	11.00	8.30	5.60
140	160	20.40	20.40	17.70	15.00	12.30	9.60
160	180	24.40	24.40	21.70	19.00	16.30	13.60
180	200	28.40	28.40	25.70	23.00	20.30	17.60
200	220	32.40	32.40	29.70	27.00	24.30	21.60
220	240	36.40	36.40	33.70	31.00	28.30	25.60
240	260	40.40	40.40	37.70	35.00	32.30	29.60
260	280	44.40	44.40	41.70	39.00	36.30	33.60
280	300	48.40	48.40	45.70	43.00	40.30	37.60
300	320	52.40	52.40	49.70	47.00	44.30	41.60
320	340	56.40	56.40	53.70	51.00	48.30	45.60
340	360	60.40	60.40	57.70	55.00	52.30	49.60
360	380	64.40	64.40	61.70	59.00	56.30	53.60
380	400	68.40	68.40	65.70	63.00	60.30	57.60
\$400 or over...		20% of the excess over \$400 plus					
		\$70.40	\$70.40	\$67.70	\$65.00	\$62.30	\$59.60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.70 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$100 or over, of the excess of the wages) over \$21, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	\$0.30	-----	-----	-----	-----	-----
30	40	2.30	\$0.30	\$0.20	\$0.20	\$0.20	\$0.20
40	50	4.30	1.40	.60	.60	.60	.60
50	60	6.30	3.40	.90	.90	.90	.90
60	80	9.30	6.40	3.50	1.20	1.20	1.20
80	100	13.30	10.40	7.50	4.60	1.90	1.90
100	120	17.30	14.40	11.50	8.60	5.70	2.90
120	140	21.30	18.40	15.50	12.60	9.70	6.90
140	160	25.30	22.40	19.50	16.60	13.70	10.90
160	180	29.30	26.40	23.50	20.60	17.70	14.90
180	200	33.30	30.40	27.50	24.60	21.70	18.90
200	220	37.30	34.40	31.50	28.60	25.70	22.90
220	240	41.30	38.40	35.50	32.60	29.70	26.90
240	260	45.30	42.40	39.50	36.60	33.70	30.90
260	280	49.30	46.40	43.50	40.60	37.70	34.90
280	300	53.30	50.40	47.50	44.60	41.70	38.90
300	320	57.30	54.40	51.50	48.60	45.70	42.90
320	340	61.30	58.40	55.50	52.60	49.70	46.90
340	360	65.30	62.40	59.50	56.60	53.70	50.90
360	380	69.30	66.40	63.50	60.60	57.70	54.90
380	400	73.30	70.40	67.50	64.60	61.70	58.90
\$400 or over...		20% of the excess over \$400 plus					
		\$75.30	\$72.40	\$69.50	\$66.60	\$63.70	\$60.90

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$100 or over, of the excess of the wages) over \$26, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	-----	-----	-----	-----	-----	-----
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	.90	.90	.90	.90	.90	.90
60	80	2.00	1.30	1.30	1.30	1.30	1.30
80	100	7.00	5.00	2.10	1.90	1.90	1.90
100	120	11.00	9.00	6.10	3.20	2.50	2.50
120	140	15.00	13.00	10.10	7.20	4.30	3.10
140	160	19.00	17.00	14.10	11.20	8.30	5.40
160	180	23.00	21.00	18.10	15.20	12.30	9.40
180	200	27.00	25.00	22.10	19.20	16.30	13.40
200	220	31.00	29.00	26.10	23.20	20.30	17.40
220	240	35.00	33.00	30.10	27.20	24.30	21.40
240	260	39.00	37.00	34.10	31.20	28.30	25.40
260	280	43.00	41.00	38.10	35.20	32.30	29.40
280	300	47.00	45.00	42.10	39.20	36.30	33.40
300	320	51.00	49.00	46.10	43.20	40.30	37.40
320	340	55.00	53.00	50.10	47.20	44.30	41.40
340	360	59.00	57.00	54.10	51.20	48.30	45.40
360	380	63.00	61.00	58.10	55.20	52.30	49.40
380	400	67.00	65.00	62.10	59.20	56.30	53.40
\$400 or over --		20% of the excess over \$400 plus					
		\$69.00	\$67.00	\$64.10	\$61.20	\$58.30	\$55.40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$100 or over, of the excess of the wages) over \$26, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20						
20	30						
30	40	\$1.50	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	3.50	.60	.60	.60	.60	.60
50	60	5.50	2.60	.90	.90	.90	.90
60	80	8.50	5.60	2.80	1.30	1.30	1.30
80	100	12.50	9.60	6.80	2.90	1.90	1.90
100	120	16.50	13.60	10.80	7.90	5.00	2.50
120	140	20.50	17.60	14.80	11.90	9.00	6.10
140	160	24.50	21.60	18.80	15.90	13.00	10.10
160	180	28.50	25.60	22.80	19.90	17.00	14.10
180	200	32.50	29.60	26.80	23.90	21.00	18.10
200	220	36.50	33.60	30.80	27.90	25.00	22.10
220	240	40.50	37.60	34.80	31.90	29.00	26.10
240	260	44.50	41.60	38.80	35.90	33.00	30.10
260	280	48.50	45.60	42.80	39.90	37.00	34.10
280	300	52.50	49.60	46.80	43.90	41.00	38.10
300	320	56.50	53.60	50.80	47.90	45.00	42.10
320	340	60.50	57.60	54.80	51.90	49.00	46.10
340	360	64.50	61.60	58.80	55.90	53.00	50.10
360	380	68.50	65.60	62.80	59.90	57.00	54.10
380	400	72.50	69.60	66.80	63.90	61.00	58.10
\$400 or over...		20% of the excess over \$400 plus					
		\$74.50	\$71.60	\$68.80	\$65.90	\$63.00	\$60.10

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.90 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	\$1.70					
20	30	4.20	\$1.40				
30	40	6.20	3.30	\$0.40	\$0.30	\$0.30	\$0.30
40	50	8.20	5.30	2.40	.60	.60	.60
50	60	10.20	7.30	4.40	1.50	.90	.90
60	80	12.20	10.30	7.40	4.50	1.70	1.30
80	100	17.20	14.30	11.40	8.50	5.70	2.80
100	120	21.20	18.30	15.40	12.50	9.70	6.80
120	140	25.20	22.30	19.40	16.50	13.70	10.80
140	160	29.20	26.30	23.40	20.50	17.70	14.80
160	180	33.20	30.30	27.40	24.50	21.70	18.80
180	200	37.20	34.30	31.40	28.50	25.70	22.80
200	220	41.20	38.30	35.40	32.50	29.70	26.80
220	240	45.20	42.30	39.40	36.50	33.70	30.80
240	260	49.20	46.30	43.40	40.50	37.70	34.80
260	280	53.20	50.30	47.40	44.50	41.70	38.80
280	300	57.20	54.30	51.40	48.50	45.70	42.80
300	320	61.20	58.30	55.40	52.50	49.70	46.80
320	340	65.20	62.30	59.40	56.50	53.70	50.80
340	360	69.20	66.30	63.40	60.50	57.70	54.80
360	380	73.20	70.30	67.40	64.50	61.70	58.80
380	400	77.20	74.30	71.40	68.50	65.70	62.80
\$400 or over...		20% of the excess over \$400 plus					
		\$79.20	\$76.30	\$73.40	\$70.50	\$67.70	\$64.80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.00 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And such person is a head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$20	-----	-----	-----	-----	-----	-----
20	30	-----	-----	-----	-----	-----	-----
30	40	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
40	50	.60	.60	.60	.60	.60	.60
50	60	.90	.90	.90	.90	.90	.90
60	80	3.00	3.00	1.30	1.30	1.30	1.30
80	100	7.00	7.00	5.00	2.10	1.00	1.00
100	120	11.00	11.00	9.00	6.10	3.20	2.50
120	140	15.00	15.00	13.00	10.10	7.20	4.30
140	160	19.00	19.00	17.00	14.10	11.20	8.30
160	180	23.00	23.00	21.00	18.10	15.20	12.30
180	200	27.00	27.00	25.00	22.10	19.20	16.30
200	220	31.00	31.00	29.00	26.10	23.20	20.30
220	240	35.00	35.00	33.00	30.10	27.20	24.30
240	260	39.00	39.00	37.00	34.10	31.20	28.30
260	280	43.00	43.00	41.00	38.10	35.20	32.30
280	300	47.00	47.00	45.00	42.10	39.20	36.30
300	320	51.00	51.00	49.00	46.10	43.20	40.30
320	340	55.00	55.00	53.00	50.10	47.20	44.30
340	360	59.00	59.00	57.00	54.10	51.20	48.30
360	380	63.00	63.00	61.00	58.10	55.20	52.30
380	400	67.00	67.00	65.00	62.10	59.20	56.30
\$400 or over		20% of the excess over \$400 plus					
		\$69.00	\$69.00	\$67.00	\$64.10	\$61.20	\$58.30

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$2.00 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	-----	-----	-----	-----	-----	-----
40	50	-----	-----	-----	-----	-----	-----
50	60	\$1.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	2.60	.40	.40	.40	.40	.40
70	80	5.60	.70	.70	.70	.70	.70
80	100	8.60	2.80	1.10	1.10	1.10	1.10
100	120	12.60	6.80	1.70	1.70	1.70	1.70
120	140	16.60	10.80	5.10	2.30	2.30	2.30
140	160	20.60	14.80	9.10	3.30	2.90	2.90
160	200	26.60	20.80	15.10	9.30	2.80	2.80
200	240	34.60	28.80	23.10	17.30	11.50	5.70
240	280	42.60	36.80	31.10	25.30	19.50	13.70
280	320	50.60	44.80	39.10	33.30	27.50	21.70
320	360	58.60	52.80	47.10	41.30	35.50	29.70
360	400	66.60	60.80	55.10	49.30	43.50	37.70
400	440	74.60	68.80	63.10	57.30	51.50	45.70
440	480	82.60	76.80	71.10	65.30	59.50	53.70
480	520	90.60	84.80	79.10	73.30	67.50	61.70
520	560	98.60	92.80	87.10	81.30	75.50	69.70
560	600	106.60	100.80	95.10	89.30	83.50	77.70
600	640	114.60	108.80	103.10	97.30	91.50	85.70
640	680	122.60	116.80	111.10	105.30	99.50	93.70
680	720	130.60	124.80	119.10	113.30	107.50	101.70
720	760	138.60	132.80	127.10	121.30	115.50	109.70
760	800	146.60	140.80	135.10	129.30	123.50	117.70
\$800 or over---		20% of the excess over \$800 plus					
		\$150.60	\$144.80	\$139.10	\$133.30	\$127.50	\$121.70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40						
40	50						
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	.40	.40	.40	.40	.40	.40
70	80	.70	.70	.70	.70	.70	.70
80	100	1.10	1.10	1.10	1.10	1.10	1.10
100	120	1.70	1.70	1.70	1.70	1.70	1.70
120	140	5.70	2.30	2.30	2.30	2.30	2.30
140	160	9.70	4.00	2.90	2.90	2.90	2.90
160	200	15.70	10.00	4.20	3.80	3.80	3.80
200	240	23.70	18.00	12.20	6.40	5.00	5.00
240	280	31.70	26.00	20.20	11.40	8.60	6.20
280	320	39.70	34.00	28.20	22.40	16.60	10.80
320	360	47.70	42.00	36.20	30.40	21.60	18.80
360	400	55.70	50.00	44.20	38.40	32.60	26.80
400	440	63.70	58.00	52.20	46.40	40.60	34.80
440	480	71.70	66.00	60.20	54.40	48.60	42.80
480	520	79.70	74.00	68.20	62.40	56.60	50.80
520	560	87.70	82.00	76.20	70.40	64.60	58.80
560	600	95.70	90.00	84.20	78.40	72.60	66.80
600	640	103.70	98.00	92.20	86.40	80.60	74.80
640	680	111.70	106.00	100.20	94.40	88.60	82.80
680	720	119.70	114.00	108.20	102.40	96.60	90.80
720	760	127.70	122.00	116.20	110.40	104.60	98.80
760	800	135.70	130.00	124.20	118.40	112.60	106.80
\$800 or over...		20% of the excess over \$800 plus					
		\$139.70	\$134.00	\$128.20	\$122.40	\$116.60	\$110.80

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$10	-----	-----	-----	-----	-----	-----
40	50	-----	-----	-----	-----	-----	-----
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	2.10	.40	.40	.40	.40	.40
70	80	4.10	.70	.70	.70	.70	.70
80	100	7.10	1.30	1.10	1.10	1.10	1.10
100	120	11.10	5.30	1.70	1.70	1.70	1.70
120	140	15.10	9.30	3.50	2.30	2.30	2.30
140	160	19.10	13.30	7.50	2.90	2.90	2.90
160	200	25.10	19.30	13.50	7.70	3.80	3.80
200	240	33.10	27.30	21.50	15.70	10.00	5.00
240	280	41.10	35.30	29.50	23.70	18.00	12.20
280	320	49.10	43.30	37.50	31.70	26.00	20.20
320	360	57.10	51.30	45.50	39.70	34.00	28.20
360	400	65.10	59.30	53.50	47.70	42.00	36.20
400	440	73.10	67.30	61.50	55.70	50.00	44.20
440	480	81.10	75.30	69.50	63.70	58.00	52.20
480	520	89.10	83.30	77.50	71.70	66.00	60.20
520	560	97.10	91.30	85.50	79.70	74.00	68.20
560	600	105.10	99.30	93.50	87.70	82.00	76.20
600	640	113.10	107.30	101.50	95.70	90.00	84.20
640	680	121.10	115.30	109.50	103.70	98.00	92.20
680	720	129.10	123.30	117.50	111.70	106.00	100.20
720	760	137.10	131.30	125.50	119.70	114.00	108.20
760	800	145.10	139.30	133.50	127.70	122.00	116.20
\$800 or over---		20% of the excess over \$800 plus					
		\$149.10	\$143.30	\$137.50	\$131.70	\$126.00	\$120.20

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly .

And the wages are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	\$3.40					
40	50	7.60	\$1.90				
50	60	9.40	3.70	\$0.10	\$0.10	\$0.10	\$0.10
60	70	11.40	5.70	.40	.40	.40	.40
70	80	13.40	7.70	1.00	.70	.70	.70
80	100	16.40	10.70	4.00	1.10	1.10	1.10
100	120	20.40	14.70	8.00	3.10	1.70	1.70
120	140	24.40	18.70	12.00	7.10	2.30	2.30
140	160	28.40	22.70	16.00	11.10	5.30	2.90
160	200	34.40	28.70	22.00	17.10	11.30	5.50
200	240	42.40	36.70	30.00	25.10	19.30	13.50
240	280	50.40	44.70	38.00	33.10	27.30	21.50
280	320	58.40	52.70	46.00	41.10	35.30	29.50
320	360	66.40	60.70	54.00	49.10	43.30	37.50
360	400	74.40	68.70	62.00	57.10	51.30	45.50
400	440	82.40	76.70	70.00	65.10	59.30	53.50
440	480	90.40	84.70	78.00	73.10	67.30	61.50
480	520	98.40	92.70	86.00	81.10	75.30	69.50
520	560	106.40	100.70	94.00	89.10	83.30	77.50
560	600	114.40	108.70	102.00	97.10	91.30	85.50
600	640	122.40	116.70	110.00	105.10	99.30	93.50
640	680	130.40	124.70	118.00	113.10	107.30	101.50
680	720	138.40	132.70	126.00	121.10	115.30	109.50
720	760	146.40	140.70	134.00	129.10	123.30	117.50
760	800	154.40	148.70	142.00	137.10	131.30	125.50
\$800 or over...		20% of the excess over \$800 plus					
		\$158.40	\$152.70	\$146.00	\$141.10	\$135.30	\$129.50

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.50 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And such person is the head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be							
\$0	\$40	-----	-----	-----	-----	-----	-----
40	50	-----	-----	-----	-----	-----	-----
50	60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	.40	.40	.40	.40	.40	.40
70	80	.70	.70	.70	.70	.70	.70
80	100	1.10	1.10	1.10	1.10	1.10	1.10
100	120	1.70	1.70	1.70	1.70	1.70	1.70
120	140	5.70	5.70	2.30	2.30	2.30	2.30
140	160	9.70	9.70	4.00	2.00	2.00	2.00
160	200	15.70	15.70	10.00	4.20	3.80	3.80
200	240	23.70	23.70	18.00	12.20	6.40	5.00
240	280	31.70	31.70	26.00	20.20	14.40	8.60
280	320	39.70	39.70	34.00	28.20	22.40	16.60
320	360	47.70	47.70	42.00	36.20	30.40	24.60
360	400	55.70	55.70	50.00	44.20	38.40	32.60
400	440	63.70	63.70	58.00	52.20	46.40	40.60
440	480	71.70	71.70	66.00	60.20	54.40	48.60
480	520	79.70	79.70	74.00	68.20	62.40	56.60
520	560	87.70	87.70	82.00	76.20	70.40	64.60
560	600	95.70	95.70	90.00	84.20	78.40	72.60
600	640	103.70	103.70	98.00	92.20	86.40	80.60
640	680	111.70	111.70	106.00	100.20	94.40	88.60
680	720	119.70	119.70	114.00	108.20	102.40	96.60
720	760	127.70	127.70	122.00	116.20	110.40	104.60
760	800	135.70	135.70	130.00	124.20	118.40	112.60
\$800 or over---		20% of the excess over \$800 plus					
		\$139.70	\$139.70	\$134.00	\$128.20	\$122.40	\$116.60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$5.80 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed; in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a single person and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1						
1	2						
2	3	\$0.20					
3	4	.40	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.60	.40	.20	.10	.10	.10
5	6	.80	.60	.40	.25	.10	.10
6	7	1.00	.80	.60	.45	.25	.15
7	8	1.20	1.00	.80	.65	.45	.25
8	9	1.40	1.20	1.00	.85	.65	.45
9	10	1.60	1.40	1.20	1.05	.85	.65
10	12	1.90	1.70	1.50	1.35	1.15	.95
12	14	2.30	2.10	1.90	1.75	1.55	1.35
14	16	2.70	2.50	2.30	2.15	1.95	1.75
16	18	3.10	2.90	2.70	2.55	2.35	2.15
18	20	3.50	3.30	3.10	2.95	2.75	2.55
20	22	3.90	3.70	3.50	3.35	3.15	2.95
22	24	4.30	4.10	3.90	3.75	3.55	3.35
24	26	4.70	4.50	4.30	4.15	3.95	3.75
26	28	5.10	4.90	4.70	4.55	4.35	4.15
28	30	5.50	5.30	5.10	4.95	4.75	4.55
\$30 and over		20% of excess over \$30 plus					
		\$5.70	\$5.50	\$5.30	\$5.15	\$4.95	\$4.75

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a married person claiming all of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	-----	-----	-----	-----	-----	-----
3	4	\$0-.05	\$0-.05	\$0-.05	\$0-.05	\$0-.05	\$0-.05
4	5	-.25	-.10	-.10	-.10	-.10	-.10
5	6	-.45	-.25	-.10	-.10	-.10	-.10
6	7	-.65	-.45	-.25	-.15	-.15	-.15
7	8	-.85	-.65	-.45	-.30	-.15	-.15
8	9	1-.05	-.85	-.65	-.50	-.30	-.20
9	10	1-.25	1-.05	-.85	-.70	-.50	-.30
10	12	1-.55	1-.35	1-.15	1-.00	-.80	-.60
12	14	1-.95	1-.75	1-.55	1-.40	1-.20	1-.00
14	16	2-.35	2-.15	1-.95	1-.80	1-.60	1-.40
16	18	2-.75	2-.55	2-.35	2-.20	2-.00	1-.80
18	20	3-.15	2-.95	2-.75	2-.60	2-.40	2-.20
20	22	3-.55	3-.35	3-.15	3-.00	2-.80	2-.60
22	24	3-.95	3-.75	3-.55	3-.40	3-.20	3-.00
24	26	4-.35	4-.15	3-.95	3-.80	3-.60	3-.40
26	28	4-.75	4-.55	4-.35	4-.20	4-.00	3-.80
28	30	5-.15	4-.95	4-.75	4-.60	4-.40	4-.20
\$30 and over . . .		20% of excess over \$30 plus					
		\$5-.35	\$5-.15	\$4-.95	\$4-.80	\$4-.60	\$4-.40

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a married person claiming half of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1						
1	2						
2	3	\$0.15					
3	4	.25	\$0.15	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.55	.35	.15	.10	.10	.10
5	6	.75	.55	.35	.20	.10	.10
6	7	.95	.75	.55	.40	.20	.15
7	8	1.15	.95	.75	.60	.40	.20
8	9	1.35	1.15	.95	.80	.60	.40
9	10	1.55	1.35	1.15	1.00	.80	.60
10	12	1.85	1.65	1.45	1.30	1.10	.90
12	14	2.25	2.05	1.85	1.70	1.50	1.30
14	16	2.65	2.45	2.25	2.10	1.90	1.70
16	18	3.05	2.85	2.65	2.50	2.30	2.10
18	20	3.45	3.25	3.05	2.90	2.70	2.50
20	22	3.85	3.65	3.45	3.30	3.10	2.90
22	24	4.25	4.05	3.85	3.70	3.50	3.30
24	26	4.65	4.45	4.25	4.10	3.90	3.70
26	28	5.05	4.85	4.65	4.50	4.30	4.10
28	30	5.45	5.25	5.05	4.90	4.70	4.50
\$30 and over...		20% of excess over \$30 plus					
		\$5.65	\$5.45	\$5.25	\$5.10	\$4.90	\$4.70

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is a married person claiming none of personal exemption for withholding and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
		The amount to be withheld shall be the following amount multiplied by the number of days in such period					
\$0	\$1	\$0.10					
1	2	.25	\$0.05				
2	3	.45	.25	\$0.05			
3	4	.65	.45	.25	\$0.05	\$0.05	\$0.05
4	5	.85	.65	.45	.30	.10	.10
5	6	1.05	.85	.65	.50	.30	.10
6	7	1.25	1.05	.85	.70	.50	.30
7	8	1.45	1.25	1.05	.90	.70	.50
8	9	1.65	1.45	1.25	1.10	.90	.70
9	10	1.85	1.65	1.45	1.30	1.10	.90
10	12	2.15	1.95	1.75	1.60	1.40	1.20
12	14	2.55	2.35	2.15	2.00	1.80	1.60
14	16	2.95	2.75	2.55	2.40	2.20	2.00
16	18	3.35	3.15	2.95	2.80	2.60	2.40
18	20	3.75	3.55	3.35	3.20	3.00	2.80
20	22	4.15	3.95	3.75	3.60	3.40	3.20
22	24	4.55	4.35	4.15	4.00	3.80	3.60
24	26	4.95	4.75	4.55	4.40	4.20	4.00
26	28	5.35	5.15	4.95	4.80	4.60	4.40
28	30	5.75	5.55	5.35	5.20	5.00	4.80
\$30 and over		20% of excess over \$30 plus					
		\$5.95	\$5.75	\$5.55	\$5.40	\$5.20	\$5.00

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages, divided by the number of days in such period, are		And such person is head of a family and has					
At least	But less than	No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
The amount to be withheld shall be the following amount multiplied by the number of days in such period							
\$0	\$1	-----	-----	-----	-----	-----	-----
1	2	-----	-----	-----	-----	-----	-----
2	3	-----	-----	-----	-----	-----	-----
3	4	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
4	5	.25	.25	.10	.10	.10	.10
5	6	.45	.45	.25	.10	.10	.10
6	7	.65	.65	.45	.25	.15	.15
7	8	.85	.85	.65	.45	.30	.15
8	9	1.05	1.05	.85	.65	.50	.30
9	10	1.25	1.25	1.05	.85	.70	.50
10	12	1.55	1.55	1.35	1.15	1.00	.80
12	14	1.95	1.95	1.75	1.55	1.40	1.20
14	16	2.35	2.35	2.15	1.95	1.80	1.60
16	18	2.75	2.75	2.55	2.35	2.20	2.00
18	20	3.15	3.15	2.95	2.75	2.60	2.40
20	22	3.55	3.55	3.35	3.15	3.00	2.80
22	24	3.95	3.95	3.75	3.55	3.40	3.20
24	26	4.35	4.35	4.15	3.95	3.80	3.60
26	28	4.75	4.75	4.55	4.35	4.20	4.00
28	30	5.15	5.15	4.95	4.75	4.60	4.40
\$30 and over---		20% of excess over \$20 plus					
		\$5.35	\$5.35	\$5.15	\$4.95	\$4.80	\$4.60

If the number of dependents is in excess of five, the amount of tax to be withheld shall be that applicable in the case of five dependents reduced by \$0.20 for each dependent over five, except that in no event shall the amount to be withheld be less than 2 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

1 “(2) If wages are paid with respect to a period
2 which is not a payroll period, the amount to be withheld
3 shall be that applicable in the case of a miscellaneous
4 payroll period containing a number of days equal to the
5 number of days in the period with respect to which such
6 wages are paid.

7 “(3) In any case in which wages are paid by an
8 employer without regard to any payroll period or other
9 period, the amount to be withheld shall be that appli-
10 cable in the case of a miscellaneous payroll period con-
11 taining a number of days equal to the number of days
12 (including Sundays and holidays) which have elapsed
13 since the date of the last payment of such wages by such
14 employer during the calendar year, or the date of com-
15 mencement of employment with such employer during
16 such year, or January 1 of such year, whichever is the
17 later.

18 “(4) In any case in which the period, or the time
19 described in paragraph (3), in respect of any wages is
20 less than one week, at the election of the employer the
21 amount to be withheld shall be determined under the
22 tables applicable in the case of a weekly payroll period,
23 and for such purpose the aggregate of the wages paid to
24 the employee during the calendar week shall be con-
25 sidered the weekly wages.

1 “(d) TAX PAID BY RECIPIENT.—If all of the taxes
2 against which the tax required to be withheld and collected
3 under this part may be credited have been paid, the tax so
4 required to be withheld, collected, and paid by the employer
5 shall not be collected from the employer; but payment of
6 such taxes shall in no case relieve the employer from lia-
7 bility for additions to the tax otherwise applicable in respect
8 of the tax imposed by this chapter.

9 “(e) CREDIT FOR TAX WITHHELD AT SOURCE.—The
10 tax withheld and deducted under this part shall not be allowed
11 as a deduction either to the employer or to the recipient of
12 the income in computing net income; but the amount with-
13 held and deducted as tax under this part during any calendar
14 year upon the wages of any individual shall be allowed as a
15 credit to the recipient of the income against the tax imposed
16 by sections 11 and 12, or section 400, as the case may be,
17 and section 450 (adjusted for the credit allowed by section
18 453) for taxable years beginning in such calendar year.

19 “(f) REFUNDS.—Where there has been an overpay-
20 ment of tax under this part, any refund or credit made under
21 section 322 shall be made to the employer to the extent that
22 the amount of such overpayment was not withheld and
23 collected under this part by the employer.

24 “(g) INCLUDED AND EXCLUDED WAGES.—If the re-
25 munerations paid by an employer to an employee for services

1 performed during one-half or more of any payroll period
 2 of not more than thirty-one consecutive days constitutes
 3 wages; all the remuneration paid by such employer to such
 4 employee for such period shall be deemed to be wages; but
 5 if the remuneration paid by an employer to an employee for
 6 services performed during more than one-half of any such
 7 payroll period does not constitute wages, then none of the
 8 remuneration paid by such employer to such employee for
 9 such period shall be deemed to be wages.

10 “(h) WITHHOLDING EXEMPTION CERTIFICATES.—

11 Every employee receiving wages (as defined in section 465)
 12 shall furnish his employer a signed withholding exemption
 13 certificate relating to his status for the purpose of computing
 14 the withholding exemption; or if the employer exercises his
 15 election under section 466 (b) (relating to wage bracket
 16 withholding), for the purpose of computing the amount to be
 17 withheld under such subsection. In case such a certificate is
 18 required because of a change of status, it shall be furnished not
 19 later than ten days after such change occurs. The certificate
 20 shall be in such form and contain such information as the
 21 Commissioner may, with the approval of the Secretary, by
 22 regulations prescribe. Such certificate—

23 “(1) If furnished after the date of commence-
 24 ment of employment with the employer, shall take
 25 effect as of the beginning of the last payroll period

1 beginning prior to, or with respect to the first payment
2 of wages without regard to a payroll period made after,
3 the expiration of thirty days after the date on which such
4 certificate is furnished to the employer, except that at
5 the election of the employer such certificate may be made
6 effective as of the beginning of any previous payroll
7 period ending, or with respect to any previous payment
8 of wages without regard to a payroll period made, on or
9 after the date of the furnishing of such certificate.

10 “(2) If furnished on the date of commencement of
11 employment shall take effect as of the beginning of the
12 first payroll period ending, or the first payment of wages
13 made without regard to a payroll period, on or after the
14 date on which such certificate is furnished to the em-
15 ployer.

16 A certificate which takes effect under this subsection shall
17 continue in effect with respect to the employer until another
18 such certificate furnished by the employee takes effect under
19 this subsection. If no certificate is in effect under this sub-
20 section with respect to an employee, such employee shall be
21 treated, for the purposes of the withholding exemption, or
22 in case the employer exercises his election under section 466
23 (e) (relating to wage bracket withholding), for the purpose
24 of computing the amount to be withheld under such sub-

1 section, as a married person claiming none of the personal
2 exemption for withholding.

3 “(i) OVERLAPPING PAY PERIODS, AND SO FORTH.—If
4 a payment of wages is made to an employee by an em-
5 ployer—

6 “(1) with respect to a payroll period or other period,
7 any part of which is included in a payroll period or
8 other period with respect to which wages are also paid
9 to such employee by such employer, or

10 “(2) without regard to any payroll period or other
11 period, but on or prior to the expiration of a payroll
12 period or other period with respect to which wages are
13 also paid to such employee by such employer, or

14 “(3) with respect to a period beginning in one
15 and ending in another calendar year,

16 the manner of withholding and the amount to be withheld
17 under this subchapter shall be determined under regulations
18 prescribed by the Commissioner with the approval of the
19 Secretary.

20 **“SEC. 467. LIABILITY FOR TAX, AND ADJUSTMENTS.**

21 “(a) EMPLOYER LIABLE FOR TAX.—The employer
22 shall be liable for the payment of the tax required to be
23 withheld and collected under this part, and shall not be liable
24 to any person for the amount of any such payment.

1 “(b) **ADJUSTMENTS.**—If more or less than the correct
2 amount of tax is withheld or paid for any quarter in any
3 calendar year, proper adjustments, with respect both to the
4 tax withheld or the tax paid, may be made in any subsequent
5 quarter of such calendar year, without interest, in such
6 manner and at such times as may be prescribed by regula-
7 tions made by the Commissioner, with the approval of the
8 Secretary.

9 **“SEC. 468. RETURN AND PAYMENT BY EMPLOYER.**

10 “**In lieu of the time prescribed in sections 53 and 56**
11 **for the return and payment of the tax imposed by this**
12 **chapter, every employer shall make a return and pay the**
13 **tax required to be withheld and collected under this part on**
14 **or before the last day of the month following the close of**
15 **each quarter of each calendar year. Such return shall con-**
16 **tain or be verified by a written declaration that it is made**
17 **under the penalties of perjury. The employer shall include**
18 **with the final return for the calendar year a duplicate**
19 **copy of each receipt required to be furnished under section**
20 **469. The employer shall also keep such records and render**
21 **under oath such statements with respect to the tax so with-**
22 **held and collected as may be required under regulations pre-**
23 **scribed by the Commissioner, with the approval of the**
24 **Secretary. If the employer is the United States, or a State,**
25 **Territory, or political subdivision thereof, or the District of**

1 Columbia, or any agency or instrumentality of any one
2 or more of the foregoing, the return required in respect of
3 the amount withheld and collected upon any wages may
4 be made by any officer or employee of the United States,
5 or of such State, Territory, or political subdivision, or of the
6 District of Columbia, or of such agency or instrumentality,
7 as the case may be, having control of the payment of such
8 wages, or appropriately designated for that purpose. A defi-
9 ciency may be determined on the basis of the amounts re-
10 quired to be withheld and collected during a calendar year,
11 and in such case the amount of the tax shown on the return
12 shall be held and considered to be the aggregate of the
13 amounts of tax shown on the quarterly returns, the tax im-
14 posed under this part shall be held and considered to be the
15 aggregate of the taxes imposed for each quarter of the
16 calendar year, the date prescribed for the payment of the
17 tax shall be held and considered to be the date prescribed
18 for the making of the last quarterly return, and for the pur-
19 pose of ascertaining the return on the basis of which such
20 deficiency is determined, the quarterly returns shall be held
21 and considered to be one return required to be made on the
22 date prescribed for the making of the last quarterly return.

23 **"SEC. 469. RECEIPTS.**

24 “(a) **WAGES.**—Every employer required to withhold
25 and collect a tax in respect of the wages of an employee shall

1 furnish to each such employee in respect of his employment
 2 during the calendar year, on or before January 31 of the
 3 succeeding year, or, if his employment is terminated before
 4 the close of such calendar year, on the day on which the last
 5 payment of wages is made, a written statement showing the
 6 wages paid by the employer to such employee during such
 7 calendar year, and the amount of the tax withheld and
 8 collected under this part in respect of such wages.

9 “(b) STATEMENTS TO CONSTITUTE INFORMATION
 10 RETURNS.—The statements required to be furnished by this
 11 section in respect of any wages shall be in lieu of the return
 12 required to be furnished by the employer in respect of such
 13 wages under section 147 and shall be furnished at such other
 14 times, shall contain such other information, and shall be in
 15 such form as the Commissioner, with the approval of the
 16 Secretary, may by regulations prescribe.

17 “(c) EXTENSION OF TIME.—The Commissioner, under
 18 such regulations as he may prescribe with the approval of the
 19 Secretary, may grant to any employer a reasonable extension
 20 of time (not in excess of 30 days) with respect to the state-
 21 ments required to be furnished to employees on the day
 22 on which the last payment of wages is made.

23 “SEC. 470. PENALTIES.

24 “(a) PENALTIES FOR FRAUDULENT RECEIPT OR FAIL-
 25 URE TO FURNISH RECEIPT.—In lieu of any other penalty

1 provided by law (except the penalty provided by subsection
2 ~~(b)~~ of this section); any person required under the provi-
3 sions of section 469 to furnish a receipt in respect of tax
4 withheld pursuant to this part who willfully furnishes a false
5 or fraudulent receipt, or who willfully fails to furnish a receipt
6 in the manner, at the time, and showing the information
7 required under section 469, or regulations prescribed there-
8 under, shall for each such failure, upon conviction thereof
9 be fined not more than \$1,000, or imprisoned for not more
10 than one year, or both.

11 “~~(b)~~ **ADDITIONAL PENALTY.**—In addition to the pen-
12 alty provided by subsection ~~(a)~~ of this section, any person
13 required under the provisions of section 469 to furnish a
14 receipt in respect of tax withheld pursuant to this part who
15 willfully furnishes a false or fraudulent receipt, or who will-
16 fully fails to furnish a receipt in the manner, at the time, and
17 showing the information required under section 469, or
18 regulations prescribed thereunder, shall for each such failure
19 be subject to a civil penalty of not more than \$50.

20 “~~(c)~~ **FAILURE OF EMPLOYER TO FILE RETURN OR**
21 **PAY TAX.**—In case of any failure to make and file return
22 or pay the tax required by this part, within the time pre-
23 scribed by law or prescribed by the Commissioner in pursu-
24 ance of law, unless it is shown that such failure is due to rea-
25 sonable cause and not due to willful neglect, the addition to

1 the tax provided for in section 291 shall not be less than
2 \$10."

3 “(d) ~~PENALTIES IN RESPECT OF WITHHOLDING~~
4 ~~EXEMPTION CERTIFICATES.~~—Any individual required to
5 supply information to his employer under section 466 (h)
6 who willfully supplies false or fraudulent information, or who
7 willfully fails to supply information thereunder which would
8 decrease the withholding exemption, shall, in lieu of the
9 penalty provided in section 145 (a), upon conviction thereof,
10 be fined not more than \$500, or imprisoned for not more than
11 one year, or both.”

12 “(b) ~~TECHNICAL AMENDMENT.~~—The heading of Sub-
13 chapter D of Chapter 1 of the Internal Revenue Code is
14 amended by inserting at the end thereof the following: “**AND**
15 **COLLECTION OF TAX AT SOURCE ON WAGES**”.

16 “(c) ~~EXPIRATION DATE FOR WITHHOLDING AT SOURCE~~
17 ~~ON WAGES REPEALED.~~—Section 476 of the Internal Revenue
18 Code (prescribing the expiration date for the taxes imposed
19 by Subchapter D) is amended by inserting before “this sub-
20 chapter” the following: “Part I of”.

21 “(d) ~~EFFECTIVE DATE.~~—The amendments made by
22 subsections (a), (b), and (c) shall take effect July 1,
23 1943, and shall be applicable to all wages paid on or after
24 such date.

1 SEC. 3. REFUNDS.

2 ~~(a) EXCESSIVE WITHHOLDING.~~—Section 322 (a) ~~(2)~~
 3 of the Internal Revenue Code ~~(relating to excessive with-~~
 4 ~~holding)~~ is amended to read as follows:

5 “~~(2) EXCESSIVE WITHHOLDING.~~—Where the
 6 amount of the tax withheld at the source under Part II
 7 of Subchapter D exceeds the taxes imposed by this
 8 chapter ~~(after allowance of the credits provided by sec-~~
 9 ~~tions 31, 32, and 453)~~ against which the tax so withheld
 10 may be credited under section 466 (c), the amount of
 11 such excess shall be credited against any income tax or
 12 installment thereof then due from the taxpayer, and any
 13 balance thereof shall be refunded immediately to the
 14 taxpayer.”

15 ~~(b) REVIEW OF ALLOWANCE OF INTEREST.~~—Section
 16 3790 of the Internal Revenue Code ~~(prohibiting administra-~~
 17 ~~tive review of Commissioner's decisions)~~ is amended by in-
 18 serting at the end thereof the following: “In the absence of
 19 fraud or mistake in mathematical calculation, the allowance or
 20 nonallowance by the Commissioner, of interest on any credit
 21 or refund of amounts withheld under Part II of Subchapter
 22 D of chapter 1, or of amounts paid thereunder, or of pay-
 23 ments of the estimated tax made under section 59, shall not,
 24 except as provided in Chapter 5, be subject to review by any

1 other administrative or accounting officer, employee, or agent
2 of the United States.”

3 **SEC. 4. CURRENT PAYMENT OF BASIC TAX NOT WITH-**
4 **HELD AT SOURCE.**

5 (a) **IN GENERAL.**—The Internal Revenue Code is
6 amended by striking out sections 58, 59, and 60 and inserting
7 in lieu thereof the following:

8 **“SEC. 58. DECLARATION OF ESTIMATED BASIC TAX BY**
9 **INDIVIDUALS.**

10 “(a) **REQUIREMENT OF DECLARATION.**—Every in-
11 dividual (other than an estate or trust and other than a non-
12 resident alien subject to withholding under section 143 (b))
13 shall, at the time during the taxable year prescribed in sub-
14 section (d), make a declaration of his estimated basic tax for
15 the taxable year if his gross income from sources other than
16 wages (as defined in section 465)—

17 “(1) in case such individual is single or married
18 but not living with husband or wife; can reasonably be
19 expected to exceed \$100 for the taxable year and his
20 gross income to be such as will require the making of a
21 return for the taxable year under section 51; or did
22 exceed \$100 for the preceding taxable year and such
23 individual either was required to make a return under
24 section 51 for such preceding taxable year or would

1 have been so required if he had been single during the
2 whole of such preceding the taxable year; or

3 “(2) in case such individual is married and living
4 with husband or wife; can when added to the gross in-
5 come which can reasonably be expected to be received
6 by husband or wife from such sources, reasonably be
7 expected to exceed \$100 for the taxable year and the
8 aggregate gross income of such husband and wife can
9 reasonably be expected to be such as will require the
10 making of a return under section 51; or did, when added
11 to the gross income of such husband or wife from such
12 sources for the preceding taxable year, exceed \$100
13 for such preceding taxable year and such individual
14 would have been required to make a return under sec-
15 tion 51 for such preceding taxable year if he had been
16 married and living with husband or wife during the whole
17 of such preceding taxable year.

18 “(b) CONTENTS OF DECLARATION.—In the declaration
19 required under subsection (a) the individual shall state—

20 “(1) the amount by which his estimated net income
21 for the taxable year exceeds the greater of the following:

22 “(A) the amount of his estimated wages as
23 defined in section 465, the withheld tax on which is
24 allowable as a credit for such taxable year under
25 section 466 (e);

1 ~~“(B)~~ the amount of his estimated aggregate
 2 amount of the credits for the taxable year allowable
 3 under section 25 ~~“(b)”~~;

4 ~~“(2)”~~ the amount equal to 20% of the amount
 5 determined under paragraph ~~“(1)”~~; which for the purpose
 6 of this chapter shall be held and considered to be the
 7 estimated basic tax for the taxable year.

8 The declaration shall also contain such other information for
 9 the purposes of carrying out the provisions of this chapter
 10 as the Commissioner, with the approval of the Secretary,
 11 may by regulations prescribe, and shall contain or be verified
 12 by a written statement that it is made under the penalties of
 13 perjury.

14 ~~“(c) JOINT DECLARATION BY HUSBAND AND WIFE.—~~
 15 In the case of a husband and wife living together, a single
 16 declaration under this section may be made by them jointly,
 17 in which case the liability with respect to the estimated basic
 18 tax shall be joint and several. No joint declaration may be
 19 made if either the husband or wife is a nonresident alien. If
 20 a joint declaration is made but a joint return is not made for
 21 the taxable year, the estimated basic tax for such year may be
 22 treated as the estimated basic tax of either the husband or the
 23 wife, or may be divided between them.

24 ~~“(d) TIME AND PLACE FOR FILING.—~~The declaration
 25 required under subsection ~~“(a)”~~ shall be filed on or before

1 the fifteenth day of the third month of the taxable year,
2 except that if the requirements of subsection (a) are first
3 met after such date, the declaration shall be filed on or
4 before the fifteenth day of the last month of the quarter of
5 the taxable year in which such requirements are first met.

6 An individual may make amendments or revisions of a declara-
7 tion filed under this subsection, under regulations prescribed
8 by the Commissioner with the approval of the Secretary. If
9 so made, such amendments or revisions shall be filed on or
10 before the fifteenth day of any quarter of the taxable year
11 subsequent to that in which the declaration was filed and in
12 which no previous amendments or revisions have been made
13 or filed. Declarations and amendments and revisions thereof
14 shall be filed with the Collector specified in section
15 53 (b) (1).

16 “(c) EXTENSION OF TIME.—The Commissioner may
17 grant a reasonable extension of time for filing declarations,
18 under such rules and regulations as he shall prescribe with the
19 approval of the Secretary. Except in the case of taxpayers
20 who are abroad, no such extension shall be for more than six
21 months.

22 “(f) PERSONS UNDER DISABILITY.—If the taxpayer is
23 unable to make his own declaration, the declaration shall be
24 made by a duly authorized agent or by the guardian or other

1 person charged with the care of the person or property of
2 such taxpayer.

3 “(g) SIGNATURE PRESUMED CORRECT.—The fact that
4 an individual's name is signed to a filed declaration shall
5 be prima facie evidence for all purposes that the declaration
6 was actually signed by him.

7 **“SEC. 59. PAYMENT OF ESTIMATED BASIC TAX.**

8 “(a) IN GENERAL.—The estimated basic tax shall be
9 paid in four equal installments except that

10 “(1) if the declaration is filed (otherwise than
11 pursuant to an extension of time) after the fifteenth
12 day of the third month of the taxable year, the estimated
13 basic tax shall be paid in equal installments the number
14 of which is equal to the number of quarters remaining
15 in the taxable year (including the quarter in which the
16 declaration is filed); and

17 “(2) if any amendment or revision of a declaration
18 is filed, the remaining installments shall be ratably in-
19 creased or decreased, as the case may be, to reflect the
20 increase or decrease, as the case may be, in the estimated
21 basic tax by reason of such amendment or revision; and

22 “(3) at the election of the individual, any install-
23 ment of the estimated basic tax may be paid prior to the
24 date prescribed for its payment.

1 Payment of the estimated basic tax shall be considered pay-
 2 ment on account of the tax for the taxable year.

3 “~~(b)~~ ASSESSMENT.—The estimated basic tax shall be
 4 assessed only to the extent paid.

5 “SEC. 60. SPECIAL RULES FOR APPLICATION OF SECTIONS
 6 58 AND 59.

7 “~~(a)~~ FARMERS.—In the case of an individual whose
 8 estimated gross income from farming for the taxable year
 9 is at least 80 per centum of the total estimated gross income
 10 from all sources for the taxable year, in lieu of the time
 11 prescribed in section 58 ~~(d)~~, the declaration for the taxable
 12 year may be made at any time on or before the fifteenth
 13 day of the last month of the taxable year.

14 “~~(b)~~ APPLICATION TO SHORT TAXABLE YEARS.—
 15 The application of sections 58, 59, and 294 ~~(a)~~ ~~(4)~~ and
 16 ~~(5)~~ to taxable years of less than twelve months shall be
 17 as prescribed in regulations prescribed by the Commissioner
 18 with the approval of the Secretary.

19 “~~(c)~~ APPLICATION TO TAXABLE YEARS BEGINNING
 20 IN 1943.—If the taxable year is the calendar year 1943,
 21 the fifteenth day of September, 1943, shall be substituted for
 22 the fifteenth day of March for the purposes of section 58 ~~(d)~~.
 23 If the taxable year begins in 1943 after January 1, the date
 24 which shall be substituted for the fifteenth day of the third

1 month of the taxable year for the purposes of section 58 (d)
 2 shall be prescribed by regulations prescribed by the Com-
 3 missioner with the approval of the Secretary."

4 (b) ADDITIONS TO TAX.—Section 294 (a) of the In-
 5 ternal Revenue Code (relating to additions to tax in case of
 6 nonpayment) is amended by inserting at the end thereof
 7 the following:

8 "(3) FAILURE TO FILE DECLARATION OF ESTI-
 9 MATED BASIC TAX.—In the case of a failure to make and
 10 file a declaration of estimated basic tax within the time
 11 prescribed, there shall be added to the tax \$10 or an
 12 amount equal to 10 per centum of the tax, whichever
 13 is the greater.

14 "(4) FAILURE TO PAY INSTALLMENT OF ESTI-
 15 MATED BASIC TAX.—In the case of the failure to pay an
 16 installment of the estimated basic tax within the time
 17 prescribed, there shall be added to the tax \$2.50 or $2\frac{1}{2}$
 18 per centum of the tax, whichever is the greater, for each
 19 installment with respect to which such failure occurs.

20 "(5) SUBSTANTIAL UNDERESTIMATE OF ESTI-
 21 MATED BASIC TAX.—If 16 per centum in the case of
 22 individuals other than farmers exercising an election under
 23 section 60 (a), or $13\frac{1}{3}$ per centum in the case of such
 24 farmers, of the net income in excess of the amount of
 25 wages as defined in section 465 (the withheld tax on

which is allowable as a credit under section 466 (e); or the amount of the credits against net income allowable under section 25 (b), whichever is the greater, exceeds the estimated basic tax, there shall be added to the tax an amount equal to 6 per centum of such excess."

(c) PENALTIES.—Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after "return" wherever appearing therein the words "or declaration", and (2) by inserting before "tax" wherever appearing therein the words "estimated basic tax or".

(d) PAYMENT OF TAX.—Section 56 (b) of the Internal Revenue Code is amended to read as follows:

"(b) INSTALLMENT PAYMENTS.—

"(1) CORPORATIONS, ESTATES AND TRUSTS, ETC.—In the case of (A) a corporation (B) a trust (C) an estate, or (D) a nonresident alien subject to withholding under section 143 (b), the taxpayer may elect to pay the tax in four equal installments, in which event the first installment shall be paid on the date prescribed for the payment of the tax by the taxpayer, the second installment shall be paid on the 15th day of the third month, the third installment on the 15th day of the sixth month and the fourth installment on the 15th day of the ninth month after such date.

1 “(2) OTHER INDIVIDUALS.—In the case of all
 2 other individuals, the taxpayer may elect to pay the tax
 3 in four installments in which event the first installment
 4 shall be an amount equal to the sum of the following:

5 “~~(A)~~ the basic tax;

6 “~~(B)~~ one-fourth of the amount by which the
 7 tax imposed by this chapter computed without re-
 8 gard to the credit provided in section 466 ~~(c)~~ ex-
 9 ceeds the basic tax.

10 The amount of the first installment as computed hereunder
 11 shall be reduced by the sum of the amount of the credit
 12 allowable under section 466 ~~(c)~~ plus the amount of esti-
 13 mated basic tax paid during the taxable year and in case
 14 such sum is equal to or in excess of the amount of the first
 15 installment as computed hereunder, but is less than the tax
 16 imposed by this chapter ~~(computed without regard to the~~
 17 ~~credit allowable under section 466 (c))~~ such sum shall con-
 18 stitute the amount of the first installment. The amount of
 19 an installment other than such first installment shall be one-
 20 third of the difference between the tax imposed ~~(computed~~
 21 ~~without regard to the credit allowable under section 466~~
 22 ~~(c))~~ and the amount of such first installment. The first
 23 installment shall be paid on the date prescribed for the pay-
 24 ment of the tax by the taxpayer, and the balance of the tax
 25 shall be paid in three equal installments, the second install-

1 ment on the 15th day of the third month, the third install-
 2 ment on the 15th day of the sixth month, and the fourth
 3 installment on the 15th day of the ninth month, after such
 4 date.

5 “(3) DEFINITION OF BASIC TAX.—For the purposes
 6 of paragraph (2) of this subsection the term ‘basic tax’
 7 means—

8 “(A) in the case of a taxpayer making a return
 9 under Supplement T, the sum of (i) the tax imposed
 10 under section 400, (ii) the tax imposed under section
 11 450 (adjusted for the credit allowable under section
 12 453) and (iii) any additions to the tax for which
 13 the taxpayer is liable under the provisions of section
 14 294 (a) (3) (4) (5).

15 “(B) in the case of all other taxpayers to which
 16 paragraph (2) of this subsection is applicable, the
 17 sum of (i) the normal tax imposed under section 11,
 18 (ii) an amount equal to a percentage of the surtax
 19 net income at the first bracket rate of surtax, (iii) the
 20 tax imposed under section 450 (adjusted for the
 21 credit allowable under section 453), and (iiii) any
 22 additions to the tax for which the taxpayer is liable
 23 under the provisions of section 294 (a) (3) (4)
 24 (5).

25 If any installment is not paid on or before the date fixed

1 for its payment, the whole amount of the tax unpaid is to be
2 paid upon notice and demand from the collector."

3 ~~(c) TAXABLE YEARS TO WHICH APPLICABLE.~~—The
4 amendments made by this section shall be effective with re-
5 spect to taxable years beginning after December 31, 1942.

6 **SEC. 5. RELIEF FROM DOUBLE PAYMENTS IN 1943.**

7 ~~(a) EFFECTIVE DATE.~~—This section shall be applicable
8 with respect to taxable years beginning in 1942 but shall
9 not take effect until September 1, 1943.

10 ~~(b) IN GENERAL.~~—In the case of an individual who
11 makes a return for a taxable year beginning in 1942, the
12 tax imposed under chapter 1 of the Internal Revenue Code
13 shall, in lieu of that otherwise imposed, be the tax com-
14 puted without regard to this section less an amount equal
15 to the sum of the normal tax plus 13 per centum of the
16 surtax net income for such year.

17 ~~(c) SUPPLEMENT T TAXPAYERS.~~—In the case of an
18 individual who makes a return for the calendar year 1942
19 under Supplement T, the liability for the tax imposed under
20 section 400 of the Internal Revenue Code for such year is
21 cancelled and discharged.

22 ~~(d) SHORT TAXABLE YEARS.~~—The provisions of this
23 section shall not apply to any taxable year which consists of
24 a period of less than twelve months.

25 ~~(e) REDUCTION WHERE CREDIT FOR FOREIGN TAX.~~—

1 In computing the amount by which the tax is reduced under
 2 subsection ~~(b)~~ the tax imposed under chapter 1 of the Inter-
 3 nal Revenue Code shall be the tax imposed under said chap-
 4 ter prior to its diminution by credit available to the taxpayer
 5 under sections 31 and 131 of such chapter. In computing
 6 the net tax liability for any such taxable year the amount
 7 of such credit shall be computed after taking into account
 8 the reduction in tax effected by this section.

9 ~~(f)~~ INDIVIDUALS EXCLUDED.—The provisions of this
 10 section shall not apply to ~~(A)~~ an estate, ~~(B)~~ a trust, ~~(C)~~, a
 11 nonresident alien subject to withholding under section 143
 12 ~~(b)~~ of the Internal Revenue Code.

13 ~~(g)~~ REFUND OR CREDIT OF REDUCTION IN TAX.—
 14 The amount by which the tax is reduced under subsections
 15 ~~(b)~~ and ~~(c)~~ of this section shall, if the taxpayer elects to
 16 pay the tax in installments, be prorated to the four install-
 17 ments of such tax. The amount so prorated to the install-
 18 ments of the tax falling due after September 1, 1943, shall
 19 be applied in reduction of each such installment.

20 ~~(h)~~ TREATMENT OF PAYMENTS PRIOR TO SEPTEMBER
 21 1, 1943, OF AMOUNTS BY WHICH 1942 TAX REDUCED.—
 22 Any payment ~~(other than interest and additions to the tax)~~
 23 made prior to September 1, 1943 ~~(or on or after such date~~
 24 ~~pursuant to any extension of time granted by the Commissioner~~
 25 ~~before such date)~~, of an amount by which the tax imposed un-

1 der chapter 1 of the Internal Revenue Code is reduced under
 2 subsection (b) or (c) of this section for a taxable year begin-
 3 ning in 1942 shall be held and considered as a payment on
 4 account of the estimated basic tax for the taxable year begin-
 5 ning in 1943. In the case of any extension of time for the
 6 payment of such tax granted by the Commission prior to Sep-
 7 tember 1, 1943, payment of the portion thereof which, if such
 8 extension had not been granted, would have been payable
 9 under section 56 (b) prior to September 1, 1943, shall be
 10 paid notwithstanding subsections (b) or (c) of this section.

11 **SEC. 6. ADDITIONAL ALLOWANCE FOR MEMBERS OF**
 12 **ARMED FORCES.**

13 (a) **IN GENERAL.**—Section 22 (b) (13) of the In-
 14 ternal Revenue Code (relating to additional allowance for
 15 military and naval personnel in computing net income) is
 16 amended to read as follows:

17 “(13) **ADDITIONAL ALLOWANCE FOR MILITARY**
 18 **AND NAVAL PERSONNEL.**—In the case of compensation
 19 received during any taxable year and before the termi-
 20 nation of the present war as proclaimed by the President,
 21 by a member of the military or naval forces of the
 22 United States for active service in such forces during
 23 such war, so much of such compensation as does not
 24 exceed the excess of \$3,500 over the personal exemp-
 25 tion claimed under section 25 (b) by such member for

such taxable year (and by his spouse, if such member is married and living with his spouse on the last day of the taxable year and such spouse is not entitled to the benefits of this paragraph).”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to all compensation received after December 31, 1941, by a member of the military or naval forces of the United States for active service in such forces.

SEC. 7. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES IN YEAR OF DEATH.

(a) **IN GENERAL.**—Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

“Supplement U.—Abatement of Tax for Members of Armed Forces in Year of Death

“SEC. 421. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES IN YEAR OF DEATH.

“In the case of any individual who dies while in active service as a member of the military or naval forces of the United States and prior to the termination of the present war as proclaimed by the President, the tax imposed by this chapter shall not apply with respect to the taxable year in which falls the date of his death, and the tax under this chapter and under the corresponding title of each prior

1 revenue law for preceding taxable years which is unpaid at
 2 the date of his death (including interest, additions to the tax,
 3 and additional amounts) shall not be assessed, and if assessed
 4 the assessment shall be abated, and if collected shall be
 5 credited or refunded as an overpayment."

6 (b) The amendment made by subsection (a) shall be
 7 effective on and after December 7, 1941.

8 That (a) this Act may be cited as the "Current Tax Pay-
 9 ment Act of 1943".

10 (b) *MEANING OF TERMS USED.*—Except as otherwise
 11 expressly provided, terms used in this Act shall have the same
 12 meaning as when used in the Internal Revenue Code.

13 *SEC. 2. COLLECTION OF TAX AT SOURCE ON WAGES.*

14 (a) *IN GENERAL.*—Chapter 9 of the Internal Revenue
 15 Code (relating to employment taxes) is amended by inserting
 16 at the end thereof the following new subchapters:

17 "SUBCHAPTER D—COLLECTION OF INCOME TAX AT 18 SOURCE ON WAGES

19 "SEC. 1621. DEFINITIONS.

20 "As used in this subchapter—

21 "(a) *WAGES.*—The term 'wages' means all remunera-
 22 tion (other than fees paid to a public official) for services
 23 performed by an employee for his employer, including the
 24 cash value of all remuneration paid in any medium other

1 *than cash; except that such term shall not include remunera-*
2 *tion paid—*

3 “(1) for services performed as a member of the
4 *military or naval forces of the United States, other than*
5 *pensions and retired pay includible in gross income, or*

6 “(2) for agricultural labor (as defined in section
7 *1426 (h)), or*

8 “(3) for domestic service in a private home, local
9 *college club, or local chapter of a college fraternity or*
10 *sorority, or*

11 “(4) for casual labor not in the course of the em-
12 *ployer's trade or business, or*

13 “(5) for services by a citizen or resident of the
14 *United States for a foreign government or for the gov-*
15 *ernment of the Commonwealth of the Philippines, or*

16 “(6) for services performed by a nonresident alien
17 *individual, other than a resident of a contiguous country*
18 *who enters and leaves the United States at frequent*
19 *intervals, or*

20 “(7) for such services, performed by a nonresident
21 *alien individual who is a resident of a contiguous country*
22 *and who enters and leaves the United States at frequent*
23 *intervals, as may be designated by regulations prescribed*

1 *by the Commissioner with the approval of the Secretary,*
2 *or*

3 “(8) for services for an employer performed by a
4 citizen or resident of the United States while outside the
5 United States (as defined in section 3797 (a) (9)) if
6 the major part of the services for such employer during
7 the calendar year is to be performed outside the United
8 States, or

9 “(9) for services performed as a minister of the
10 gospel.

11 *For the purpose of paragraph (8) services performed on or*
12 *in connection with an American vessel (as defined in section*
13 *1426 (g)) under a contract of service which is entered*
14 *into within the United States or during the performance of*
15 *which the vessel touches at a port in the United States, or*
16 *on or in connection with any vessel as an employee of the*
17 *United States employed through the War Shipping Ad-*
18 *ministration, shall not constitute services performed outside*
19 *the United States.*

20 “(b) *PAYROLL PERIOD.*—The term ‘payroll period’
21 *means a period for which a payment of wages is ordinarily*
22 *made to the employee by his employer, and the term ‘mis-*
23 *cellaneous payroll period’ means a payroll period other than*
24 *a weekly, biweekly, semimonthly, monthly, quarterly, semi-*
25 *annual, or annual payroll period.*

1 “(c) *EMPLOYEE*.—The term ‘employee’ includes an
2 officer, employee, or elected official of the United States, a
3 State, Territory, or any political subdivision thereof, or the
4 District of Columbia, or any agency or instrumentality of
5 any one or more of the foregoing. The term ‘employee’ also
6 includes an officer of a corporation.

7 “(d) *EMPLOYER*.—The term ‘employer’ means the per-
8 son for whom an individual performs or performed any
9 service, of whatever nature, as the employee of such person,
10 except that—

11 “(1) if the person for whom the individual performs
12 or performed the services does not have control of the
13 payment of the wages for such services, the term ‘em-
14 ployer’ (except for the purposes of subsection (a)) means
15 the person having control of the payment of such wages;
16 and

17 “(2) in the case of a person paying wages on behalf
18 of a nonresident alien individual, foreign partnership,
19 or foreign corporation, not engaged in trade or business
20 within the United States, the term ‘employer’ (except
21 for the purposes of subsection (a)) means such person.

22 “(e) *SINGLE PERSON*.—The term ‘single person’ means
23 a person with respect to whom a withholding exemption
24 certificate is in effect under section 1622 (h) stating that

1 *such person is single, or is married and not living with*
 2 *husband or wife, and is not the head of a family.*

3 “(f) *MARRIED PERSON.*—The term ‘married person’
 4 *means a person with respect to whom a withholding exemp-*
 5 *tion certificate is in effect under section 1622 (h) stating that*
 6 *he is married and living with husband or wife.*

7 “(g) *MARRIED PERSON CLAIMING ALL OF PERSONAL*
 8 *EXEMPTION FOR WITHHOLDING.*—The term ‘married per-
 9 *son claiming all of personal exemption for withholding’*
 10 *means a married person with respect to whom a withholding*
 11 *exemption certificate is in effect under section 1622 (h)*
 12 *stating that for the purposes of this subchapter such person*
 13 *claims all of the personal exemption and that for the pur-*
 14 *poses of this subchapter his spouse is claiming none of the*
 15 *personal exemption.*

16 “(h) *MARRIED PERSON CLAIMING HALF OF PER-*
 17 *SONAL EXEMPTION FOR WITHHOLDING.*—The term
 18 ‘married person claiming half of the personal exemption for
 19 *withholding’ means a married person with respect to whom a*
 20 *withholding exemption certificate is in effect under section*
 21 *1622 (h) stating that for the purposes of this subchapter*
 22 *such person claims half of the personal exemption and that*
 23 *for the purposes of this subchapter his spouse is claiming not*
 24 *more than half of such exemption.*

25 “(i) *MARRIED PERSON CLAIMING NONE OF PERSONAL*

1 *EXEMPTION FOR WITHHOLDING.*—The term ‘married per-
 2 son claiming none of the personal exemption for withholding’
 3 means a married person with respect to whom a withholding
 4 exemption certificate is in effect under section 1622 (h)
 5 making no claim with respect to the personal exemption
 6 for the purposes of this subchapter.

7 “(j) *HEAD OF FAMILY.*—The term ‘head of a family’
 8 means a person with respect to whom a withholding exemption
 9 certificate is in effect under section 1622 (h) stating that he
 10 is the head of a family.

11 “(k) *DEPENDENT.*—The term ‘dependent’ means a per-
 12 son included in a withholding exemption certificate in effect
 13 under section 1622 (h) as a person dependent upon and
 14 receiving his chief support from the employee and either
 15 under eighteen years of age or incapable of self-support
 16 because mentally or physically defective.

17 “*SEC. 1622. INCOME TAX COLLECTED AT SOURCE.*

18 “(a) *REQUIREMENT OF WITHHOLDING.*—Every em-
 19 ployer making payment of wages shall withhold and collect
 20 upon such wages a tax equal to the greater of the following:

21 “(1) 20 per centum of the excess of each payment
 22 of such wages over the family status withholding exemp-
 23 tion allowable under subsection (b) (1) (A), or

24 “(2) 3 per centum of the excess of each payment

1 of such wages over the Victory tax withholding exemp-
 2 tion allowable under subsection (b) (1) (B).

3 “(b) *WITHHOLDING EXEMPTION.*—

4 “(1) In computing the tax required to be withheld
 5 under subsection (a), there shall be allowed as a with-
 6 holding exemption with respect to the wages paid for each
 7 payroll period—

8 “(A) in computing the tax required to be with-
 9 held under subsection (a) (1), a family status with-
 10 holding exemption determined in accordance with the
 11 following schedule:

“Family Status Withholding Exemption

<i>“Payroll period</i>	<i>Single person</i>	<i>Married person claiming whole of personal exemption for withholding or head of family</i>	<i>Married person claiming half of personal exemption for withholding</i>	<i>Married person claiming none of personal exemption for withholding</i>	<i>Each dependent, other than the first dependent in the case of the head of a family</i>
<i>Weekly</i> -----	\$12	\$24	\$12	0	\$6
<i>Biweekly</i> -----	\$24	\$48	\$24	0	\$12
<i>Semi-monthly</i> -----	\$26	\$52	\$26	0	\$13
<i>Monthly</i> -----	\$52	\$104	\$52	0	\$26
<i>Quarterly</i> -----	\$156	\$312	\$156	0	\$78
<i>Semiannual</i> -----	\$312	\$624	\$312	0	\$156
<i>Annual</i> -----	\$624	\$1,248	\$624	0	\$312
<i>Daily or miscellaneous (per day of such period)</i> -----	\$1. 70	\$3. 40	\$1. 70	0	\$. 85

“(B) in computing the tax required to be withheld under subsection (a) (2), a Victory tax withholding exemption determined in accordance with the following schedule:

“Payroll Period	Victory Tax Withholding Exemption
<i>Weekly</i> -----	\$12.00
<i>Biweekly</i> -----	24.00
<i>Semimonthly</i> -----	26.00
<i>Monthly</i> -----	52.00
<i>Quarterly</i> -----	156.00
<i>Semiannual</i> -----	312.00
<i>Annual</i> -----	624.00
<i>Daily or Miscellaneous (per day of such period)</i> -----	1.70

“(2) If wages are paid with respect to a period which is not a payroll period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days equal to the number of days in the period with respect to which such wages are paid.

“(3) In any case in which wages are paid by an employer without regard to any payroll period or other period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer

1 *during the calendar year, or the date of commencement of*
2 *employment with such employer during such year, or*
3 *January 1 of such year, whichever is the later.*

4 “(4) *In any case in which the period, or the time*
5 *described in paragraph (3), in respect of any wages is*
6 *less than one week, the Commissioner, under regulations*
7 *prescribed by him with the approval of the Secretary,*
8 *may authorize an employer, in computing the tax required*
9 *to be withheld, to use the excess of the aggregate of the*
10 *wages paid to the employee-during the calendar week*
11 *over the withholding exemption allowed by this subsection*
12 *for a weekly payroll period.*

13 “(5) *In determining the amount to be withheld un-*
14 *der this subsection, the wages may, at the election of the*
15 *employer, be computed to the nearest dollar.*

16 “(c) *WAGE BRACKET WITHHOLDING.—*

17 “(1) *At the election of the employer with respect*
18 *to any employee, the employer shall deduct and withhold*
19 *upon the wages paid to such employee a tax determined*
20 *in accordance with the following tables, which shall be*
21 *in lieu of the tax required to be withheld under sub-*
22 *section (a):*

If the payroll period with respect to an employee is weekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (5) such person is head of a family and has—											
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of tax to be withheld shall be—											
				\$0	\$10	\$1.00									
10	15	2.50	\$1.30	\$0.10											
15	20	3.50	2.30	1.10	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20				
20	25	4.50	3.30	2.10	.90	.30	.30	.30	.30	.30	.30				
25	30	5.50	4.30	3.10	1.90	.70	.50	.50	.50	.50	.50				
30	40	7.00	5.80	4.60	3.40	2.20	1.00	.70	.70	.70	.70				
40	50	9.00	7.80	6.60	5.40	4.20	3.00	1.80	1.00	1.00	1.00				
50	60	11.00	9.80	8.60	7.40	6.20	5.00	3.80	2.60	1.40	1.30				
60	70	13.00	11.80	10.60	9.40	8.20	7.00	5.80	4.60	3.40	2.20				
70	80	15.00	13.80	12.60	11.40	10.20	9.00	7.80	6.60	5.40	4.20				
80	90	17.00	15.80	14.60	13.40	12.20	11.00	9.80	8.60	7.40	6.20				
90	100	19.00	17.80	16.60	15.40	14.20	13.00	11.80	10.60	9.40	8.20				
100	110	21.00	19.80	18.60	17.40	16.20	15.00	13.80	12.60	11.40	10.20				
110	120	23.00	21.80	20.60	19.40	18.20	17.00	15.80	14.60	13.40	12.20				
120	130	25.00	23.80	22.60	21.40	20.20	19.00	17.80	16.60	15.40	14.20				
130	140	27.00	25.80	24.60	23.40	22.20	21.00	19.80	18.60	17.40	16.20				
140	150	29.00	27.80	26.60	25.40	24.20	23.00	21.80	20.60	19.40	18.20				
150	160	31.00	29.80	28.60	27.40	26.20	25.00	23.80	22.60	21.40	20.20				
160	170	33.00	31.80	30.60	29.40	28.20	27.00	25.80	24.60	23.40	22.20				
170	180	35.00	33.80	32.60	31.40	30.20	29.00	27.80	26.60	25.40	24.20				
180	190	37.00	35.80	34.60	33.40	32.20	31.00	29.80	28.60	27.40	26.20				
190	200	39.00	37.80	36.60	35.40	34.20	33.00	31.80	30.60	29.40	28.20				
\$200 or over-----		20% of the excess over \$200 plus													
		\$40.00	\$38.80	\$37.60	\$36.40	\$35.20	\$34.00	\$32.80	\$31.60	\$30.40	\$29.20				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$1.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
And the wages are		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents						
				Or, (5) such person is head of a family and has—											
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of tax to be withheld shall be—											
				\$0	\$20	\$2. 00									
20	30	5. 00	\$2. 60	\$0. 20											
30	40	7. 00	4. 60	2. 20	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30				
40	50	9. 00	6. 60	4. 20	1. 80	. 60	. 60	. 60	. 60	. 60	. 60				
50	60	11. 00	8. 60	6. 20	3. 80	1. 40	. 90	. 90	. 90	. 90	. 90				
60	80	14. 00	11. 60	9. 20	6. 80	4. 40	2. 00	1. 40	1. 40	1. 40	1. 40				
80	100	18. 00	15. 60	13. 20	10. 80	8. 40	6. 00	3. 60	2. 00	2. 00	2. 00				
100	120	22. 00	19. 60	17. 20	14. 80	12. 40	10. 00	7. 60	5. 20	2. 80	2. 60				
120	140	26. 00	23. 60	21. 20	18. 80	16. 40	14. 00	11. 60	9. 20	6. 80	4. 40				
140	160	30. 00	27. 60	25. 20	22. 80	20. 40	18. 00	15. 60	13. 20	10. 80	8. 40				
160	180	34. 00	31. 60	29. 20	26. 80	24. 40	22. 00	19. 60	17. 20	14. 80	12. 40				
180	200	38. 00	35. 60	33. 20	30. 80	28. 40	26. 00	23. 60	21. 20	18. 80	16. 40				
200	220	42. 00	39. 60	37. 20	34. 80	32. 40	30. 00	27. 60	25. 20	22. 80	20. 40				
220	240	46. 00	43. 60	41. 20	38. 80	36. 40	34. 00	31. 60	29. 20	26. 80	24. 40				
240	260	50. 00	47. 60	45. 20	42. 80	40. 40	38. 00	35. 60	33. 20	30. 80	28. 40				
260	280	54. 00	51. 60	49. 20	46. 80	44. 40	42. 00	39. 60	37. 20	34. 80	32. 40				
280	300	58. 00	55. 60	53. 20	50. 80	48. 40	46. 00	43. 60	41. 20	38. 80	36. 40				
300	320	62. 00	59. 60	57. 20	54. 80	52. 40	50. 00	47. 60	45. 20	42. 80	40. 40				
320	340	66. 00	63. 60	61. 20	58. 80	56. 40	54. 00	51. 60	49. 20	46. 80	44. 40				
340	360	70. 00	67. 60	65. 20	62. 80	60. 40	58. 00	55. 60	53. 20	50. 80	48. 40				
360	380	74. 00	71. 60	69. 20	66. 80	64. 40	62. 00	59. 60	57. 20	54. 80	52. 40				
380	400	78. 00	75. 60	73. 20	70. 80	68. 40	66. 00	63. 60	61. 20	58. 80	56. 40				
\$400 or over-----		20% of the excess over \$400 plus													
		\$80. 00	\$77. 60	\$75. 20	\$72. 80	\$70. 40	\$68. 00	\$65. 60	\$63. 20	\$60. 80	\$58. 40				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.40 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

		And, (1) such person is a married person claiming none of personal exemption for withholding, and has—											
And the wages are		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents		
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—									
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents		
				Or, (3) such person is a single person and has—									
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents		
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—									
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents				
				Or, (5) such person is head of a family and has—									
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents				
				The amount of tax to be withheld shall be—									
\$0	\$20	\$2. 00											
20	30	5. 00	\$2. 40										
30	40	7. 00	4. 40	\$1. 80	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30	\$0. 30		
40	50	9. 00	6. 40	3. 80	1. 20	. 60	. 60	. 60	. 60	. 60	. 60		
50	60	11. 00	8. 40	5. 80	3. 20	. 90	. 90	. 90	. 90	. 90	. 90		
60	80	14. 00	11. 40	8. 80	6. 20	3. 60	1. 30	1. 30	1. 30	1. 30	1. 30		
80	100	18. 00	15. 40	12. 80	10. 20	7. 60	5. 00	2. 40	1. 90	1. 90	1. 90		
100	120	22. 00	19. 40	16. 80	14. 20	11. 60	9. 00	6. 40	3. 80	2. 50	2. 50		
120	140	26. 00	23. 40	20. 80	18. 20	15. 60	13. 00	10. 40	7. 80	5. 20	3. 10		
140	160	30. 00	27. 40	24. 80	22. 20	19. 60	17. 00	14. 40	11. 80	9. 20	6. 60		
160	180	34. 00	31. 40	28. 80	26. 20	23. 60	21. 00	18. 40	15. 80	13. 20	10. 60		
180	200	38. 00	35. 40	32. 80	30. 20	27. 60	25. 00	22. 40	19. 80	17. 20	14. 60		
200	220	42. 00	39. 40	36. 80	34. 20	31. 60	29. 00	26. 40	23. 80	21. 20	18. 60		
220	240	46. 00	43. 40	40. 80	38. 20	35. 60	33. 00	30. 40	27. 80	25. 20	22. 60		
240	260	50. 00	47. 40	44. 80	42. 20	39. 60	37. 00	34. 40	31. 80	29. 20	26. 60		
260	280	54. 00	51. 40	48. 80	46. 20	43. 60	41. 00	38. 40	35. 80	33. 20	30. 60		
280	300	58. 00	55. 40	52. 80	50. 20	47. 60	45. 00	42. 40	39. 80	37. 20	34. 60		
300	320	62. 00	59. 40	56. 80	54. 20	51. 60	49. 00	46. 40	43. 80	41. 20	38. 60		
320	340	66. 00	63. 40	60. 80	58. 20	55. 60	53. 00	50. 40	47. 80	45. 20	42. 60		
340	360	70. 00	67. 40	64. 80	62. 20	59. 60	57. 00	54. 40	51. 80	49. 20	46. 60		
360	380	74. 00	71. 40	68. 80	66. 20	63. 60	61. 00	58. 40	55. 80	53. 20	50. 60		
380	400	78. 00	75. 40	72. 80	70. 20	67. 60	65. 00	62. 40	59. 80	57. 20	54. 60		
\$400 or over-----		20% of the excess over \$400 plus											
		\$80. 00	\$77. 40	\$74. 80	\$72. 20	\$69. 60	\$67. 00	\$64. 40	\$61. 80	\$59. 20	\$56. 60		

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.60 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—									
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
				Or, (3) such person is a single person and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
						Or, (4) such person is a married person claiming all of personal exemption for withholding and has—					
						No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents
Or, (5) such person is head of a family and has—											
		No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents				
The amount of the tax to be withheld shall be—											
\$0	\$40	\$4.00									
40	50	9.00	\$3.80								
50	60	11.00	5.80	\$0.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
60	70	13.00	7.80	2.60	.40	.40	.40	.40	.40	.40	.40
70	80	15.00	9.80	4.60	.70	.70	.70	.70	.70	.70	.70
80	100	18.00	12.80	7.60	2.40	1.10	1.10	1.10	1.10	1.10	1.10
100	120	22.00	16.80	11.60	6.40	1.70	1.70	1.70	1.70	1.70	1.70
120	140	26.00	20.80	15.60	10.40	5.20	2.30	2.30	2.30	2.30	2.30
140	160	30.00	24.80	19.60	14.40	9.20	4.00	2.90	2.90	2.90	2.90
160	200	36.00	30.80	25.60	20.40	15.20	10.00	4.80	3.80	3.80	3.80
200	240	44.00	38.80	33.60	28.40	23.20	18.00	12.80	7.60	5.00	5.00
240	280	52.00	46.80	41.60	36.40	31.20	26.00	20.80	15.60	10.40	6.20
280	320	60.00	54.80	49.60	44.40	39.20	34.00	28.80	23.60	18.40	13.20
320	360	68.00	62.80	57.60	52.40	47.20	42.00	36.80	31.60	26.40	21.20
360	400	76.00	70.80	65.60	60.40	55.20	50.00	44.80	39.60	34.40	29.20
400	440	84.00	78.80	73.60	68.40	63.20	58.00	52.80	47.60	42.40	37.20
440	480	92.00	86.80	81.60	76.40	71.20	66.00	60.80	55.60	50.40	45.20
480	520	100.00	94.80	89.60	84.40	79.20	74.00	68.80	63.60	58.40	53.20
520	560	108.00	102.80	97.60	92.40	87.20	82.00	76.80	71.60	66.40	61.20
560	600	116.00	110.80	105.60	100.40	95.20	90.00	84.80	79.60	74.40	69.20
600	640	124.00	118.80	113.60	108.40	103.20	98.00	92.80	87.60	82.40	77.20
640	680	132.00	126.80	121.60	116.40	111.20	106.00	100.80	95.60	90.40	85.20
680	720	140.00	134.80	129.60	124.40	119.20	114.00	108.80	103.60	98.40	93.20
720	760	148.00	142.80	137.60	132.40	127.20	122.00	116.80	111.60	106.40	101.20
760	800	156.00	150.80	145.60	140.40	135.20	130.00	124.80	119.60	114.40	109.20
\$800 or over-----		20% of the excess over \$800 plus									
		\$160.00	\$154.80	\$149.60	\$144.40	\$139.20	\$134.00	\$128.80	\$123.60	\$118.40	\$113.20

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$5.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

**If the payroll period with respect to an employee is a daily payroll period
or a miscellaneous payroll period**

And the wages divid- ed by the number of days in such period are—		And, (1) such person is a married person claiming none of personal exemption for withholding and has—										
At least	But less than	No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents	Eight depend- ents	Nine depend- ents	
		Or, (2) such person is a married person claiming half of personal exemption for withholding and has—										
		No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents			
		Or, (3) such person is a single person and has—										
		No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents			
		Or, (4) such person is a married person claiming all of personal exemption for withholding and has—										
		No depend- ents	One depend- ent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents	Seven depend- ents			
		Or, (5) such person is head of a family and has—										
		No depend- ents or one de- pendent	Two depend- ents	Three depend- ents	Four depend- ents	Five depend- ents	Six depend- ents					
		The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period										
\$0	\$1	\$0.10	-----	-----	-----	-----	-----	-----	-----	-----	-----	
1	2	.30	\$0.15	-----	-----	-----	-----	-----	-----	-----	-----	
2	3	.50	.35	\$0.15	-----	-----	-----	-----	-----	-----	-----	
3	4	.70	.55	.35	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	
4	5	.90	.75	.55	.40	.20	.10	.10	.10	.10	.10	
5	6	1.10	.95	.75	.60	.40	.25	.10	.10	.10	.10	
6	7	1.30	1.15	.95	.80	.60	.45	.30	.15	.15	.15	
7	8	1.50	1.35	1.15	1.00	.80	.65	.50	.30	.15	.15	
8	9	1.70	1.55	1.35	1.20	1.00	.85	.70	.50	.35	.20	
9	10	1.90	1.75	1.55	1.40	1.20	1.05	.90	.70	.55	.35	
10	12	2.20	2.05	1.85	1.70	1.50	1.35	1.20	1.00	.85	.65	
12	14	2.60	2.45	2.25	2.10	1.90	1.75	1.60	1.40	1.25	1.05	
14	16	3.00	2.85	2.65	2.50	2.30	2.15	2.00	1.80	1.65	1.45	
16	18	3.40	3.25	3.05	2.90	2.70	2.55	2.40	2.20	2.05	1.85	
18	20	3.80	3.65	3.45	3.30	3.10	2.95	2.80	2.60	2.45	2.25	
20	22	4.20	4.05	3.85	3.70	3.50	3.35	3.20	3.00	2.85	2.65	
22	24	4.60	4.45	4.25	4.10	3.90	3.75	3.60	3.40	3.25	3.05	
24	26	5.00	4.85	4.65	4.50	4.30	4.15	4.00	3.80	3.65	3.45	
26	28	5.40	5.25	5.05	4.90	4.70	4.55	4.40	4.20	4.05	3.85	
28	30	5.80	5.65	5.45	5.30	5.10	4.95	4.80	4.60	4.45	4.25	
\$30 or over----		20% of the excess over \$30 plus										
		\$6.00	\$5.85	\$5.65	\$5.50	\$5.30	\$5.15	\$5.00	\$4.80	\$4.65	\$4.45	

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$0.15 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

1 “(2) If wages are paid with respect to a period
2 which is not a payroll period, the amount to be withheld
3 shall be that applicable in the case of a miscellaneous
4 payroll period containing a number of days equal to the
5 number of days in the period with respect to which such
6 wages are paid.

7 “(3) In any case in which wages are paid by an
8 employer without regard to any payroll period or other
9 period, the amount to be withheld shall be that appli-
10 cable in the case of a miscellaneous payroll period con-
11 taining a number of days equal to the number of days
12 (including Sundays and holidays) which have elapsed
13 since the date of the last payment of such wages by such
14 employer during the calendar year, or the date of com-
15 mencement of employment with such employer during
16 such year, or January 1 of such year, whichever is the
17 later.

18 “(4) In any case in which the period, or the time
19 described in paragraph (3), in respect of any wages is
20 less than one week, the Commissioner, under regulations
21 prescribed by him with the approval of the Secretary,
22 may authorize an employer to determine the amount
23 to be withheld under the tables applicable in the case of
24 a weekly payroll period, in which case the aggregate of

1 *the wages paid to the employee during the calendar week*
 2 *shall be considered the weekly wages.*

3 “(5) *In determining the amount to be withheld under*
 4 *this subsection, the wages may, at the election of the*
 5 *employer, be computed to the nearest dollar.*

6 “(d) *TAX PAID BY RECIPIENT.—If the employer, in*
 7 *violation of the provisions of this subchapter, fails to with-*
 8 *hold and collect the tax under this subchapter, and thereafter*
 9 *the tax against which such tax may be credited is paid, the*
 10 *tax so required to be withheld and collected shall not be*
 11 *collected from the employer; but this subsection shall in no*
 12 *case relieve the employer from liability for any penalties or*
 13 *additions to the tax otherwise applicable in respect of such*
 14 *failure to withhold and collect.*

15 “(e) *NONDEDUCTIBILITY OF TAX IN COMPUTING NET*
 16 *INCOME.—The tax withheld and collected under this sub-*
 17 *chapter shall not be allowed as a deduction either to the*
 18 *employer or to the recipient of the income in computing net*
 19 *income for the purpose of any tax on income imposed by*
 20 *Act of Congress.*

21 “(f) *REFUNDS OR CREDITS.—*

22 “(1) *EMPLOYERS.—Where there has been an over-*
 23 *payment of tax under this subchapter, refund or credit*
 24 *shall be made to the employer only to the extent that the*

1 amount of such overpayment was not withheld and col-
 2 lected under this subchapter by the employer.

3 “(2) EMPLOYEES.—For refund or credit in cases
 4 of excessive withholding, see section 322 (a).

5 “(g) INCLUDED AND EXCLUDED WAGES.—If the re-
 6 muneratation paid by an employer to an employee for services
 7 performed during one-half or more of any payroll period
 8 of not more than thirty-one consecutive days constitutes
 9 wages, all the remuneration paid by such employer to such
 10 employee for such period shall be deemed to be wages; but
 11 if the remuneration paid by an employer to an employee for
 12 services performed during more than one-half of any such
 13 payroll period does not constitute wages, then none of the
 14 remuneration paid by such employer to such employee for
 15 such period shall be deemed to be wages.

16 “(h) WITHHOLDING EXEMPTION CERTIFICATES.—
 17 Every employee receiving wages shall furnish his employer a
 18 signed withholding exemption certificate relating to his status
 19 for the purpose of computing the withholding exemption, or if
 20 the employer exercises his election under section 1622 (b)
 21 (relating to wage bracket withholding), for the purpose of
 22 computing the amount to be withheld under such subsection.
 23 In case of a change of status, a new certificate shall be fur-
 24 nished not later than ten days after such change occurs.
 25 The certificate shall be in such form and contain such infor-

1 mation as the Commissioner may, with the approval of the
2 Secretary, by regulations prescribe. Such certificate—

3 “(1) If furnished after the date of commencement of
4 employment with the employer, shall take effect with
5 respect to the first payment of wages made on or after
6 the first status determination date which occurs at least
7 thirty days from the date on which such certificate is
8 furnished to the employer, except that at the election of the
9 employer such certificate may be made effective with
10 respect to any previous payment of wages made on or
11 after the date of the furnishing of such certificate. For
12 the purposes of this paragraph the term ‘status deter-
13 mination date’ means January 1 and July 1 of each
14 year.

15 “(2) If furnished on or before the date of com-
16 mencement of employment with the employer, shall take
17 effect as of the beginning of the first payroll period end-
18 ing, or the first payment of wages made without regard to
19 a payroll period, on or after the date on which such
20 certificate is furnished to the employer.

21 A certificate which takes effect under this subsection shall
22 continue in effect with respect to the employer until another
23 such certificate furnished by the employee takes effect under
24 this subsection. If no certificate is in effect under this sub-
25 section with respect to an employee, such employee shall be

1 treated, for the purposes of the withholding exemption, or
 2 in case the employer exercises his election under section 1622
 3 (c) (relating to wage bracket withholding), for the purpose
 4 of computing the amount to be withheld under such subsection,
 5 as a married person claiming none of the personal exemption
 6 for withholding.

7 “(i) *OVERLAPPING PAY PERIODS, AND SO FORTH.*—

8 If a payment of wages is made to an employee by an em-
 9 ployer—

10 “(1) with respect to a payroll period or other period,
 11 any part of which is included in a payroll period or
 12 other period with respect to which wages are also paid
 13 to such employee by such employer, or

14 “(2) without regard to any payroll period or other
 15 period, but on or prior to the expiration of a payroll
 16 period or other period with respect to which wages are
 17 also paid to such employee by such employer, or

18 “(3) with respect to a period beginning in one
 19 and ending in another calendar year,

20 the manner of withholding and the amount to be withheld
 21 under this subchapter shall be determined in accordance with
 22 regulations prescribed by the Commissioner with the approval
 23 of the Secretary under which the withholding exemption

1 allowed to an employee in any calendar year shall approxi-
2 mate the withholding exemption allowable with respect to an
3 annual payroll period.

4 “(j) *WITHHOLDING ON BASIS OF AVERAGE WAGES.*—
5 The Commissioner may, under regulations prescribed by him
6 with the approval of the Secretary, authorize employers (1)
7 to estimate the wages which will be paid to any employee in
8 any quarter of the calendar year, (2) to determine the amount
9 to be withheld and collected upon each payment of wages to
10 such employee during such quarter as if the appropriate
11 average of the wages so estimated constituted the actual wages
12 paid, and (3) to withhold and collect upon any payment of
13 wages to such employee during such quarter such amount as
14 may be necessary to adjust the amount actually withheld and
15 collected upon the wages of such employee during such quar-
16 ter to the amount required to be withheld during such quarter
17 without regard to this subsection.

18 “SEC. 1623. *LIABILITY FOR TAX.*

19 “The employer shall be liable for the payment of the tax
20 required to be withheld and collected under this subchapter,
21 and shall not be liable to any person for the amount of any
22 such payment.

1 "SEC. 1624. RETURN AND PAYMENT BY GOVERNMENTAL EM-
2 PLOYER.

3 "If the employer is the United States, or a State, Terri-
4 tory, or political subdivision thereof, or the District of Co-
5 lumbia, or any agency or instrumentality of any one or more
6 of the foregoing, the return of the amount withheld and col-
7 lected upon any wages may be made by any officer or em-
8 ployee of the United States, or of such State, Territory, or
9 political subdivision, or of the District of Columbia, or of
10 such agency or instrumentality, as the case may be, having
11 control of the payment of such wages, or appropriately
12 designated for that purpose.

13 "SEC. 1625. RECEIPTS.

14 "(a) REQUIREMENT.—Every employer required to with-
15 hold and collect a tax in respect of the wages of an employee
16 shall furnish to each such employee in respect of his employ-
17 ment during the calendar year, on or before January 31
18 of the succeeding year, or, if his employment is terminated
19 before the close of such calendar year, on the day on which
20 the last payment of wages is made, a written statement show-
21 ing the wages paid by the employer to such employee during
22 such calendar year, and the amount of the tax withheld and
23 collected under this subchapter in respect of such wages.

24 "(b) STATEMENTS TO CONSTITUTE INFORMATION
25 RETURNS.—The statements required to be furnished by this

1 *section in respect of any wages shall be furnished at such other*
2 *times, shall contain such other information, and shall be in such*
3 *form as the Commissioner, with the approval of the Secretary,*
4 *may by regulations prescribe. A duplicate of such statement*
5 *if made and filed in accordance with regulations prescribed*
6 *by the Commissioner with the approval of the Secretary shall*
7 *constitute the return required to be made in respect of such*
8 *wages under section 147.*

9 “(c) *EXTENSION OF TIME.*—The Commissioner, under
10 *such regulations as he may prescribe with the approval of*
11 *the Secretary, may grant to any employer a reasonable*
12 *extension of time (not in excess of 30 days) with respect to*
13 *the statements required to be furnished to employees under*
14 *this section.*

15 “SEC. 1626. *PENALTIES.*

16 “(a) *PENALTIES FOR FRAUDULENT RECEIPT OR*
17 *FAILURE TO FURNISH RECEIPT.*—In lieu of any other
18 *penalty provided by law (except the penalty provided by*
19 *subsection (b) of this section), any person required under*
20 *the provisions of section 1625 to furnish a receipt in respect*
21 *of tax withheld pursuant to this subchapter who willfully*
22 *furnishes a false or fraudulent receipt, or who willfully fails*
23 *to furnish a receipt in the manner, at the time, and showing*
24 *the information required under section 1625, or regulations*

1 *prescribed thereunder, shall for each such failure, upon con-*
 2 *viction thereof be fined not more than \$1,000, or imprisoned*
 3 *for not more than one year, or both.*

4 “(b) *ADDITIONAL PENALTY.*—*In addition to the pen-*
 5 *alty provided by subsection (a) of this section, any person*
 6 *required under the provisions of section 1625 to furnish a*
 7 *receipt in respect of tax withheld pursuant to this subchapter*
 8 *who willfully furnishes a false or fraudulent receipt, or*
 9 *who willfully fails to furnish a receipt in the manner, at the*
 10 *time, and showing the information required under section*
 11 *1625, or regulations prescribed thereunder, shall for each*
 12 *such failure be subject to a civil penalty of not more than \$50.*

13 “(c) *FAILURE OF EMPLOYER TO FILE RETURN OR*
 14 *PAY TAX.*—*In case of any failure to make and file return*
 15 *or pay the tax required by this subchapter, within the time*
 16 *prescribed by law or prescribed by the Commissioner in*
 17 *pursuance of law, unless it is shown that such failure is due*
 18 *to reasonable cause and not due to willful neglect, the addi-*
 19 *tion to the tax shall not be less than \$10.*

20 “(d) *PENALTIES IN RESPECT OF WITHHOLDING*
 21 *EXEMPTION CERTIFICATES.*—*Any individual required to*
 22 *supply information to his employer under section 1622 (h)*
 23 *who willfully supplies false or fraudulent information, or*
 24 *who willfully fails to supply information thereunder which*
 25 *would require an increase in the tax to be withheld under*

1 *section 1622, shall, in lieu of any penalty otherwise provided,*
 2 *upon conviction thereof, be fined not more than \$500, or*
 3 *imprisoned for not more than one year, or both.*

4 **“SEC. 1627. OTHER LAWS APPLICABLE.**

5 *“All provisions of law, including penalties, applicable*
 6 *with respect to the tax imposed by section 1400 shall, insofar*
 7 *as applicable and not inconsistent with the provisions of this*
 8 *subchapter, be applicable with respect to the tax under this*
 9 *subchapter.*

10 **“SUBCHAPTER E—GENERAL PROVISIONS**

11 **“SEC. 1630. VERIFICATION OF RETURNS, ETC.**

12 *“(a) POWER OF COMMISSIONER TO REQUIRE.—The*
 13 *Commissioner, under regulations prescribed by him with the*
 14 *approval of the Secretary, may require that any return,*
 15 *statement, or other document required to be filed under this*
 16 *chapter shall contain or be verified by a written declaration*
 17 *that it is made under the penalties of perjury, and such*
 18 *declaration shall be in lieu of any oath otherwise required.*

19 *“(b) PENALTIES.—Every person who willfully makes*
 20 *and subscribes any return, statement, or other document,*
 21 *which contains or is verified by a written declaration that it*
 22 *is made under the penalties of perjury, and which he does*
 23 *not believe to be true and correct as to every material matter,*
 24 *shall be guilty of a felony, and, upon conviction thereof, shall*

1 *be subject to the penalties prescribed for perjury in section*
 2 *125 of the Criminal Code.*

3 "SEC. 1631. USE OF GOVERNMENT DEPOSITARIES IN CONNEC-
 4 TION WITH PAYMENT OF TAXES.

5 "The Secretary may authorize incorporated banks or
 6 trust companies which are depositaries or financial agents of
 7 the United States to receive any taxes under this chapter in
 8 such manner, at such times, and under such conditions as he
 9 may prescribe; and he shall prescribe the manner, times, and
 10 conditions under which the receipt of such taxes by such de-
 11 positaries and financial agents is to be treated as payment
 12 of such taxes to the collectors."

13 (b) TECHNICAL AMENDMENTS.—

14 (1) AMENDMENT TO SECTION 34.—Section 34 of
 15 the Internal Revenue Code (cross reference) is amended
 16 by striking out "453, 454, and 466 (e)" and inserting
 17 in lieu thereof "453 and 454".

18 (2) AMENDMENT TO SECTION 322.—Section 322
 19 (f) of the Internal Revenue Code (cross reference) is
 20 amended to read as follows:

21 "(f) TAX WITHHELD AT SOURCE.—For refund or
 22 credit in case of withholding agent, see section 143 (f). For
 23 refund or credit in case of employer required to withhold
 24 tax on wages, see section 1622 (f)."

25 (c) EXPIRATION DATE FOR WITHHOLDING AT

1 *SOURCE ON WAGES UNDER SUBCHAPTER D OF CHAPTER*
 2 *1.—Section 476 of the Internal Revenue Code (prescribing*
 3 *the expiration date for the taxes imposed by Subchapter D)*
 4 *is amended to read as follows:*

5 **“SEC. 476. EXPIRATION DATE.**

6 *“The tax imposed by Part I of this subchapter shall not*
 7 *apply with respect to any taxable year commencing after the*
 8 *date of cessation of hostilities in the present war. The tax*
 9 *imposed by Part II of such subchapter shall not apply with*
 10 *respect to any wages paid after June 30, 1943.”*

11 *(d) EFFECTIVE DATE.—The amendments made by*
 12 *subsections (a) and (b) shall take effect July 1, 1943, and*
 13 *shall be applicable to all wages paid on or after such date.*

14 **SEC. 3. CREDIT FOR TAX WITHHELD AT SOURCE.**

15 *Section 35 of the Internal Revenue Code (relating to*
 16 *the credit for tax withheld on wages) is amended to read as*
 17 *follows:*

18 **“SEC. 35. CREDIT FOR TAX WITHHELD ON WAGES.**

19 *“The amount withheld and collected as tax under Sub-*
 20 *chapter D of Chapter 9 during any calendar year upon the*
 21 *wages of any individual shall be allowed as a credit to the*
 22 *recipient of the income against the tax imposed by this chapter*
 23 *for the taxable year beginning in such calendar year. If*
 24 *more than one taxable year begins in any such calendar year*

1 *such amount shall be allowed as a credit against the tax for*
 2 *the last taxable year so beginning."*

3 **SEC. 4. REFUNDS.**

4 *(a) EXCESSIVE WITHHOLDING, ETC.—Section 322*
 5 *(a) (2) of the Internal Revenue Code (relating to excessive*
 6 *withholding) is amended to read as follows:*

7 *"(2) EXCESSIVE WITHHOLDING.—Where the*
 8 *amount of the tax withheld at the source under Part II*
 9 *of Subchapter D or Subchapter D of Chapter 9 exceeds*
 10 *the taxes imposed by this chapter against which the tax*
 11 *so withheld may be credited under section 35 or 466 (e),*
 12 *the amount of such excess shall be credited against any*
 13 *income tax or installment thereof then due from the*
 14 *taxpayer, and any balance thereof shall be refunded*
 15 *immediately to the taxpayer.*

16 *"(3) CREDITS AGAINST ESTIMATED TAX.—The*
 17 *Commissioner is authorized to prescribe, with the ap-*
 18 *proval of the Secretary, regulations providing for the*
 19 *crediting against the estimated tax for any taxable year*
 20 *of the amount determined by the taxpayer or the Com-*
 21 *missioner to be an overpayment of the tax for a pre-*
 22 *ceding taxable year."*

23 *(b) PRESUMPTION AS TO DATE OF PAYMENT.—Section*
 24 *322 (e) of the Internal Revenue Code (relating to presump-*
 25 *tion as to date of payment) is amended to read as follows:*

1 “(e) *PRESUMPTION AS TO DATE OF PAYMENT.*—For
 2 the purposes of this section, any tax actually withheld and
 3 collected at the source during any calendar year under Part
 4 II of Subchapter D or under Subchapter D of Chapter 9
 5 shall, in respect of the recipient of the income, be deemed to
 6 have been paid by him on the fifteenth day of the third month
 7 following the close of his taxable year with respect to which
 8 such tax is allowable as a credit under section 35 or section
 9 466 (e); except that in the case of a nonresident alien indi-
 10 vidual, it shall be deemed to have been paid by him on the
 11 fifteenth day of the sixth month following the close of such
 12 taxable year. For the purposes of this section, any amount
 13 paid as estimated tax for any taxable year shall be deemed to
 14 have been paid not earlier than the fifteenth day of the third
 15 month following the close of such taxable year.”

16 (c) *DELEGATION OF AUTHORITY TO COLLECTORS TO*
 17 *MAKE REFUNDS.*—Section 3770 (a) of the Internal Reve-
 18 nue Code (relating to authority to make refunds) is amended
 19 (1) by striking out “(4)” at the beginning of paragraph
 20 (4) and inserting in lieu thereof “(5)”; and (2) by
 21 inserting after paragraph (3) the following:

22 “(4) *DELEGATION OF AUTHORITY TO COL-*
 23 *LECTORS TO MAKE REFUNDS.*—The Commissioner is
 24 authorized to delegate, with the approval of the Secre-
 25 tary, to collectors any authority, duty, or function which

1 *the Commissioner is authorized or required to exercise*
 2 *or perform under paragraph (1), (2), or (3) of this*
 3 *subsection, or under section 322 or 1027, where the*
 4 *amount involved does not exceed \$1,000."*

5 *(d) OVERPAYMENTS.—Section 3770 of the Internal*
 6 *Revenue Code (relating to authority to make credits and*
 7 *refunds) is amended by inserting at the end thereof the*
 8 *following:*

9 *"(c) RULE WHERE NO TAX LIABILITY.—An amount*
 10 *paid as tax shall not be considered not to constitute an over-*
 11 *payment solely by reason of the fact that there was no tax*
 12 *liability in respect of which such amount was paid."*

13 *(e) CROSS-REFERENCE.—The last subsection of section*
 14 *3771 of the Internal Revenue Code (relating to interest on*
 15 *overpayments) is amended to read as follows:*

16 *"(f) ESTIMATED TAX AND TAX WITHHELD AT*
 17 *SOURCE.—For date of payment in respect of estimated tax*
 18 *and of tax withheld at source on wages, see section 322 (e)."*

19 *(f) REVIEW OF ALLOWANCE OF INTEREST.—Section*
 20 *3790 of the Internal Revenue Code (prohibiting administra-*
 21 *tive review of Commissioner's decisions) is amended by*
 22 *inserting at the end thereof the following: "In the absence of*
 23 *fraud or mistake in mathematical calculation, the allowance*
 24 *or nonallowance by the Commissioner, of interest on any*
 25 *credit or refund under the internal revenue laws shall not,*

1 *except as provided in Chapter 5, be subject to review by any*
 2 *other administrative or accounting officer, employee, or agent*
 3 *of the United States."*

4 **SEC. 5. CURRENT PAYMENT OF TAX NOT WITHHELD AT**
 5 **SOURCE.**

6 *(a) IN GENERAL.—The Internal Revenue Code is*
 7 *amended by striking out sections 58, 59, and 60 and inserting*
 8 *in lieu thereof the following:*

9 **"SEC. 58. DECLARATION OF ESTIMATED TAX BY INDIVIDUALS.**

10 *"(a) REQUIREMENT OF DECLARATION.—Every indi-*
 11 *vidual (other than an estate or trust and other than a non-*
 12 *resident alien) shall, at the time during the taxable year*
 13 *prescribed in subsection (d), make a declaration of his*
 14 *estimated tax for the taxable year if—*

15 *"(1) his gross income from wages (as defined in*
 16 *section 1621)*

17 *"(A) in case such individual is single or mar-*
 18 *ried but not living with husband or wife: can reason-*
 19 *ably be expected to exceed \$2,700 for the taxable*
 20 *year; or did exceed \$2,700 for the preceding taxable*
 21 *year; or*

22 *"(B) in case such individual is married and*
 23 *living with husband or wife: can when added to the*
 24 *gross income which can reasonably be expected to*
 25 *be received by such husband or wife from wages*

(as so defined) reasonably be expected to exceed \$3,500 for the taxable year; or did when added to the gross income of such husband or wife from wages (as so defined) for the preceding taxable year, exceed \$3,500 for such preceding taxable year; or

“(2) his gross income from sources other than wages (as defined in section 1621)

“(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$100 for the taxable year and his gross income to be such as will require the making of a return for the taxable year under section 51; or did exceed \$100 for the preceding taxable year and such individual either was required to make a return under section 51 or 455 for such preceding taxable year or would have been so required if he had been single during the whole of such preceding taxable year; or

“(B) in case such individual is married and living with husband or wife: can when added to the gross income which can reasonably be expected to be received by husband or wife from such sources, reasonably be expected to exceed \$100 for the taxable year and the aggregate gross income of such

husband and wife can reasonably be expected to be such as will require the making of a return under section 51 or 455; or did, when added to the gross income of such husband or wife from such sources for the preceding taxable year, exceed \$100 for such preceding taxable year and such individual would have been required to make a return under section 51 or 455 for such preceding taxable year if he had been married and living with husband or wife during the whole of such preceding taxable year.

“(b) CONTENTS OF DECLARATION.—In the declaration required under subsection (a) the individual shall state—

“(1) the amount which he estimates as the amount of tax under sections 11 and 12, or 400, as the case may be, and section 450, for the taxable year, without regard to any credits under sections 32, 35, and 466 (c);

“(2) the amount which he estimates as the credits for the taxable year under sections 32, 35, and 466 (c); and

“(3) the excess of the amount estimated under paragraph (1) over the amount estimated under paragraph (2), which excess for the purposes of this chapter shall be held and considered the estimated tax for the taxable year.

The declaration shall also contain such other information

1 for the purposes of carrying out the provisions of this chap-
2 ter as the Commissioner, with the approval of the Secretary,
3 may by regulations prescribe, and shall contain or be verified
4 by a written statement that it is made under the penalties of
5 perjury.

6 “(c) *JOINT DECLARATION BY HUSBAND AND*
7 *WIFE.*—In the case of a husband and wife living together,
8 a single declaration under this section may be made by them
9 jointly, in which case the liability with respect to the estimated
10 tax shall be joint and several. No joint declaration may be
11 made if either the husband or wife is a nonresident alien. If
12 a joint declaration is made but a joint return is not made for
13 the taxable year, the estimated tax for such year may be
14 treated as the estimated tax of either the husband or the
15 wife, or may be divided between them.

16 “(d) *TIME AND PLACE FOR FILING.*—The declaration
17 required under subsection (a) shall be filed on or before
18 the fifteenth day of the third month of the taxable year,
19 except that if the requirements of subsection (a) are first
20 met after such date, the declaration shall be filed on or
21 before the fifteenth day of the last month of the quarter of
22 the taxable year in which such requirements are first met.
23 An individual may make amendments or revisions of a dec-
24 laration filed under this subsection, under regulations pre-
25 scribed by the Commissioner with the approval of the

1 *Secretary. If so made, such amendments or revisions shall*
 2 *be filed on or before the fifteenth day of the last month of*
 3 *any quarter of the taxable year subsequent to that in which*
 4 *the declaration was filed and in which no previous amend-*
 5 *ments or revisions have been made or filed. Declarations and*
 6 *amendments and revisions thereof shall be filed with the Col-*
 7 *lector specified in section 53 (b) (1).*

8 “(e) *EXTENSION OF TIME.*—The Commissioner may
 9 grant a reasonable extension of time for filing declarations
 10 and paying the estimated tax, under such rules and regula-
 11 tions as he shall prescribe with the approval of the Secretary.
 12 Except in the case of taxpayers who are abroad, no such
 13 extension shall be for more than six months.

14 “(f) *PERSONS UNDER DISABILITY.*—If the taxpayer
 15 is unable to make his own declaration, the declaration shall
 16 be made by a duly authorized agent or by the guardian or
 17 other person charged with the care of the person or property
 18 of such taxpayer.

19 “(g) *SIGNATURE PRESUMED CORRECT.*—The fact that
 20 an individual's name is signed to a filed declaration shall
 21 be prima facie evidence for all purposes that the declaration
 22 was actually signed by him.

23 “(h) *PUBLICITY OF DECLARATION.*—For the purposes
 24 of section 55 (relating to publicity of returns), a declaration

1 of estimated tax shall be held and considered a return under
2 this chapter.

3 "SEC. 59. PAYMENT OF ESTIMATED TAX.

4 “(a) *IN GENERAL.*—The estimated tax shall be paid in
5 four equal installments except that—

6 “(1) if the declaration is filed (otherwise than pur-
7 suant to an extension of time) after the fifteenth day of
8 the third month of the taxable year, the estimated tax
9 shall be paid in equal installments the number of which
10 is equal to the number of quarters remaining in the tax-
11 able year (including the quarter in which the declaration
12 is filed); and

13 “(2) if any amendment or revision of a declara-
14 tion is filed, the remaining installments shall be ratably
15 increased or decreased, as the case may be, to reflect the
16 increase or decrease, as the case may be, in the estimated
17 tax by reason of such amendment or revision; and

18 “(3) at the election of the individual, any install-
19 ment of the estimated tax may be paid prior to the date
20 prescribed for its payment.

21 One installment of the estimated tax shall be paid at the time
22 of making the declaration, and an installment thereof shall
23 be paid on the fifteenth day of the last month of each suc-
24 ceeding quarter of the taxable year. Payment of any install-

1 *ment of the estimated tax shall be considered payment on*
2 *account of the tax for the taxable year.*

3 “(b) *ASSESSMENT.*—*The estimated tax shall be assessed*
4 *only to the extent paid.*

5 “*SEC. 60. SPECIAL RULES FOR APPLICATION OF SECTIONS 58*
6 *AND 59.*

7 “(a) *FARMERS.*—*In the case of an individual whose*
8 *estimated gross income from farming for the taxable year*
9 *is at least 80 per centum of the total estimated gross income*
10 *from all sources for the taxable year, in lieu of the time*
11 *prescribed in section 58 (d), the declaration for the taxable*
12 *year may be made at any time on or before the fifteenth*
13 *day of the last month of the taxable year.*

14 “(b) *APPLICATION TO SHORT TAXABLE YEARS.*—
15 *The application of sections 58, 59, and 294 (a) (3), (4),*
16 *and (5) to taxable years of less than twelve months shall be*
17 *as prescribed in regulations prescribed by the Commissioner*
18 *with the approval of the Secretary.*

19 “(c) *APPLICATION TO TAXABLE YEARS BEGINNING*
20 *IN 1943.*—*If the taxable year is the calendar year 1943,*
21 *the fifteenth day of September, 1943, shall be substituted for*
22 *the fifteenth day of March for the purposes of section 58 (d).*
23 *If the taxable year begins in 1943 after January 1, the date*
24 *which shall be substituted for the fifteenth day of the third*

1 month of the taxable year for the purposes of section 58 (d)
 2 shall be prescribed by regulations prescribed by the Com-
 3 missioner with the approval of the Secretary. In either
 4 case installments of the estimated tax for such taxable year
 5 payable after September 1, 1943, shall be ratably decreased
 6 to reflect the payments on account of a taxable year beginning
 7 in 1942 which are treated as payments on account of the
 8 estimated tax for a taxable year beginning in 1943."

9 (b) *ADDITIONS TO TAX.*—Section 294 (a) of the In-
 10 ternal Revenue Code (relating to additions to tax in case of
 11 nonpayment) is amended by inserting at the end thereof
 12 the following:

13 "(3) *FAILURE TO FILE DECLARATION OF ESTI-*
 14 *MATED TAX.*—In the case of a failure to make and file a
 15 declaration of estimated tax within the time pre-
 16 scribed, there shall be added to the tax an amount equal
 17 to 10 per centum of the tax.

18 "(4) *FAILURE TO PAY INSTALLMENT OF ESTI-*
 19 *MATED TAX.*—In the case of the failure to pay an
 20 installment of the estimated tax within the time pre-
 21 scribed, there shall be added to the tax \$2.50 or $2\frac{1}{2}$ per
 22 centum of the tax, whichever is the greater, for each
 23 installment with respect to which such failure occurs.

24 "(5) *SUBSTANTIAL UNDERESTIMATE OF ESTI-*

MATED TAX.—If 80 per centum of the tax (determined without regard to the credits under sections 32, 35, and 466 (e)), in the case of individuals other than farmers exercising an election under section 60 (a), or $66\frac{2}{3}$ per centum of such tax so determined in the case of such farmers, exceeds the estimated tax (increased by such credits), there shall be added to the tax an amount equal to such excess, or equal to 6 per centum of the amount by which such tax so determined exceeds the estimated tax so increased, whichever is the lesser. This paragraph shall not apply to the taxable year in which falls the death of the taxpayer.”

(c) *PENALTIES.*—Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after “return” wherever appearing therein the words “or declaration”, and (2) by inserting before “tax” wherever appearing therein the words “estimated tax or”.

(d) *PAYMENT BY INSTALLMENTS.*—Section 56 (b) of the Internal Revenue Code (relating to installment payments) is amended by striking out “The” at the beginning thereof and inserting in lieu thereof “Except in the case of an individual (other than an estate or trust and other than a nonresident alien), the”.

(e) *TAXABLE YEARS TO WHICH APPLICABLE.*—The

1 amendments made by this section shall be effective with re-
2 spect to taxable years beginning after December 31, 1942.

3 SEC. 6. RELIEF FROM DOUBLE PAYMENTS IN 1943.

4 (a) GENERAL RULE.—The liability of any individual
5 (other than an estate or trust and other than a nonresident
6 alien) for the tax imposed by Chapter 1 of the Internal
7 Revenue Code for the taxable year 1942 shall be discharged
8 as of September 1, 1943, except that (1) interest and addi-
9 tions to such tax shall be collected at the same time and in
10 the same manner as, and as a part of, the tax under such
11 chapter for the taxable year 1943, and (2) this subsection
12 shall not apply in any case in which the taxpayer is con-
13 victed of any criminal offense with respect to the tax for the
14 taxable year 1942 or in which additions to the tax for such
15 taxable year are applicable by reason of fraud.

16 (b) SPECIAL RULE WHERE 1942 TAX GREATER
17 THAN 1943 TAX.—In the case of a taxpayer any part of
18 whose tax for the taxable year 1942 is discharged under sub-
19 section (a), if such tax (determined without regard to such
20 subsection, without regard to interest and additions to such
21 tax, and without regard to credits against such tax for
22 amounts withheld at source) is in excess of the tax for the
23 taxable year 1943 (determined without regard to this sec-
24 tion, without regard to interest and additions to such tax,
25 and without regard to credits against such tax for amounts

1 withheld at source), the tax for the taxable year 1943 shall
 2 be increased by such excess; except that if such taxpayer
 3 is in active service in the military or naval forces of the
 4 United States at any time during the taxable year 1942 or
 5 1943, the tax for the taxable year 1943 shall not be increased
 6 by any portion of such excess which is attributable to earned
 7 net income (as defined in section 25 (a) (4)), as determined
 8 under regulations prescribed by the Commissioner with the
 9 approval of the Secretary.

10 (c) SPECIAL RULE WHERE INCREASED INCOME.—

11 (1) TAX FOR 1942 LESS THAN THAT FOR 1943.—In
 12 the case of a taxpayer whose tax for the taxable year
 13 1942 is discharged under subsection (a), and (in cases
 14 in which the tax for such taxable year, determined in
 15 the same manner as under subsection (b), is less than
 16 that for the taxable year 1943, similarly determined)
 17 whose surtax net income for the base year plus \$10,000
 18 is less than that for the taxable year 1942, the liability
 19 discharged under subsection (a) shall be limited to an
 20 amount equal to a tentative tax computed as if the por-
 21 tion of the surtax net income for such taxable year which
 22 is not greater than the sum of the surtax net income for
 23 the base year plus \$10,000 constituted both the surtax
 24 net income for such taxable year 1942, and the net

1 income for such taxable year after allowance of all
2 credits against net income;

3 (2) TAX FOR 1942 NOT LESS THAN THAT FOR
4 1943.—In the case of a taxpayer whose tax for the taxable
5 year 1942 is discharged under subsection (a), and (in
6 cases in which the tax for such taxable year, determined
7 in the same manner as under subsection (b), is equal to
8 or greater than that for the taxable year 1943, similarly
9 determined), whose surtax net income for the base year
10 plus \$10,000 is less than that for the taxable year 1943,
11 the liability discharged under subsection (a) shall be
12 limited to an amount equal to a tentative tax for the
13 taxable year 1943 computed as if the portion of the
14 surtax net income for such taxable year which is not
15 greater than the sum of the surtax net income for the
16 base year plus \$10,000 constituted both the surtax net
17 income for the taxable year 1943, and the net income for
18 such taxable year after allowance of all credits against
19 net income.

20 The portion of the liability which is not discharged under
21 subsection (a) by reason of paragraph (1) of this subsection
22 shall be discharged, but the tax for the taxable year 1943
23 shall be increased by an amount equal to such portion. The
24 portion of the liability which is not discharged under sub-
25 section (a) by reason of paragraph (2) of this subsection

1 shall be discharged, but the tax for the taxable year 1943
2 shall be increased by the excess of such portion over the
3 amount by which the tax for such taxable year is increased
4 under subsection (b). For the purposes of this subsection
5 "base year" means any one of the taxable years 1938, 1939,
6 or 1940, to be selected by the taxpayer. The amount by
7 which the tax for the taxable year 1943 is increased by
8 reason of this subsection shall not be held or considered to
9 be a part of the tax for such taxable year for the purposes
10 of sections 58, 59, 60, and 294 (a) (3), (4), and (5) of
11 the Internal Revenue Code. That portion of the compensa-
12 tion which is received or accrued in the taxable year 1942
13 (if the tax for such year is less than that for the taxable
14 year 1943), or in the taxable year 1943 (if the tax for such
15 year is equal to or less than that for the taxable year 1942),
16 and which under section 107 of the Internal Revenue Code
17 is, for the purposes of that section, attributed to the base year,
18 shall for the purposes of this subsection be excluded in com-
19 puting the surtax net income for the taxable year 1942 or
20 1943, as the case may be, and be included in computing the
21 surtax net income for the base year. This subsection shall
22 be applied in accordance with regulations prescribed by the
23 Commissioner with the approval of the Secretary.

24 (d) EXTENSION OF TIME FOR PAYMENT OF INCREASE
25 IN 1943 TAX UNDER SUBSECTION (c).—At the election

1 of the taxpayer, made under regulations prescribed by the
2 Commissioner with the approval of the Secretary, the Com-
3 missioner shall, except as hereinafter provided, extend the
4 time for the payment of the portion of the tax for the taxable
5 year 1943 equal to the increase therein under subsection (c),
6 in which case such portion shall be paid in four equal annual
7 installments, the first of which shall be paid on the fifteenth
8 day of the fifteenth month following the close of the taxable
9 year, and of the remaining installments one of which shall
10 be paid on the last day of each succeeding twelve-month
11 period, except that any installment may be paid prior to the
12 date prescribed for its payment. The Commissioner may
13 condition the extension upon the furnishing by the taxpayer
14 of a bond in such amount, not exceeding the amount of such
15 increase, with such surety or sureties, as the Commissioner
16 deems necessary, conditioned upon the payment of such
17 amount in accordance with the terms of the extension. If the
18 time for the payment of such portion is extended, there shall
19 be collected, as a part of the tax, interest on each installment
20 at the rate of 4 per centum per annum for the period be-
21 ginning with the date prescribed for the payment of the tax
22 for such taxable year and ending with the date on which such
23 installment is paid or the date on which it is payable, which-
24 ever is the earlier. If any installment is not paid on or before
25 the date on which it is payable, it and the remaining install-

1 ments shall be paid upon notice and demand from the
 2 Collector. If any installment is not paid on or before the
 3 date on which it is payable, there shall be collected, as part
 4 of the tax, interest on such installment at the rate of 6 per
 5 centum per annum for the period beginning with the date
 6 on which such installment is payable and ending with the
 7 date on which it is paid.

8 (e) *RULES FOR APPLICATION OF SUBSECTIONS (b)*
 9 *AND (c).*—The credit against the tax imposed by Chapter 1
 10 of the Internal Revenue Code for the taxable year 1943 al-
 11 lowed by section 31 of such chapter (relating to taxes of
 12 foreign countries and of possessions of the United States),
 13 shall be determined without regard to subsections (b) and (c).
 14 Sections 105, 106, and 107 of such chapter (relating to
 15 limitations on tax) shall be applied without regard to sub-
 16 sections (b) and (c). If the taxpayer either for the taxable
 17 year 1942 or for the taxable year 1943 makes a joint return
 18 with his spouse, the taxes of the spouses for the taxable year
 19 for which a joint return is not made shall be aggregated for
 20 the purposes of subsections (b) and (c), and in case the tax-
 21 able year for which a joint return is not made is the taxable
 22 year 1943, the liability for the increase in the tax for the
 23 taxable year 1943 under subsections (b) and (c), shall be
 24 joint and several.

25 (f) *SPECIAL RULE WHERE TAXPAYER DIES IN*

1 *TAXABLE YEAR 1942.*—If the individual dies during the
2 taxable year 1942, subsection (a) shall not apply.

3 (g) *TREATMENT OF PAYMENTS ON ACCOUNT OF 1942*
4 *TAX.*—Any payment (other than interest and additions to
5 the tax) made on account of the tax imposed by Chapter 1
6 of the Internal Revenue Code for the taxable year 1942 upon
7 a taxpayer any part of whose liability for such tax is dis-
8 charged under subsection (a) shall be considered as payment
9 on account of the estimated tax for the taxable year 1943.
10 In the case of any extension of time for the payment of
11 such tax granted by the Commissioner prior to September 1,
12 1943, payment of the portion thereof which if such exten-
13 sion had not been granted would have been payable under
14 section 56 (b) prior to such date shall be made not-
15 withstanding subsection (a), but the foregoing provi-
16 sions of this subsection shall apply to any such payment.
17 In case the taxpayer becomes delinquent, prior to Sep-
18 tember 1, 1943, in the payment of such tax or any installment
19 thereof, subsection (a) shall not relieve the taxpayer of his
20 liability for the tax, but the foregoing provisions of this sub-
21 section shall be applicable to payment of such liability. If
22 any payment on account of the tax imposed by such chapter
23 for the taxable year 1942 is made pursuant to a joint return
24 made by husband and wife for such taxable year, and such
25 payment is considered as a payment on account of the esti-

1 mated tax for the taxable year 1943, such payment may be
 2 treated as a payment on account of the estimated tax of either
 3 the husband or the wife for such taxable year or may be
 4 divided between them.

5 (h) *USE OF TERM "TAXABLE YEAR".*—For the pur-
 6 poses of this section the terms "taxable year 1938", "taxable
 7 year 1939", "taxable year 1940", "taxable year 1942", and
 8 "taxable year 1943" mean, respectively, the taxable year be-
 9 ginning in 1938, 1939, 1940, 1942, and 1943, respectively;
 10 and "taxable year" as applied to the taxable year 1942 or
 11 1943 shall not include any period of less than twelve months
 12 unless occasioned by the death of the taxpayer or unless there
 13 is no taxable year of twelve months beginning in such calendar
 14 year.

15 **SEC. 7. ADDITIONAL ALLOWANCE FOR MEMBERS OF ARMED**
 16 **FORCES.**

17 (a) *IN GENERAL.*—Section 22 (b) (13) of the In-
 18 ternal Revenue Code (relating to additional allowance for
 19 military and naval personnel in computing net income) is
 20 amended to read as follows:

21 "(13) *ADDITIONAL ALLOWANCE FOR MILITARY*
 22 *AND NAVAL PERSONNEL.*—In the case of compensation
 23 received during any taxable year and before the termi-
 24 nation of the present war as proclaimed by the President,
 25 by a member of the military or naval forces of the

1 *United States for active service in such forces during*
 2 *such war, so much of such compensation as does not*
 3 *exceed \$1,500."*

4 *(b) EFFECTIVE DATE.—The amendment made by sub-*
 5 *section (a) shall apply with respect to taxable years beginning*
 6 *after December 31, 1942.*

7 **SEC. 3. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES**
 8 **UPON DEATH.**

9 *Chapter 1 of the Internal Revenue Code is amended by*
 10 *inserting after section 404 the following new supplement:*

11 *"Supplement U—Abatement of Tax for Members of Armed*

12 **Forces Upon Death**

13 **"SEC. 421. ABATEMENT OF TAX FOR MEMBERS OF ARMED**
 14 **FORCES UPON DEATH.**

15 *"In the case of any individual who dies on or after*
 16 *December 7, 1941, while in active service as a member of*
 17 *the military or naval forces of the United States and prior*
 18 *to the termination of the present war as proclaimed by the*
 19 *President, the tax under this chapter (including interest,*
 20 *additions to the tax, and additional amounts) attributable to*
 21 *earned net income (as defined in section 25 (a) (4)) re-*
 22 *ceived or accrued by him shall not be assessed, and if assessed,*
 23 *the assessment shall be abated, and if collected shall be*
 24 *credited or refunded as an overpayment, in the following*
 25 *amounts and for the following taxable years:*

1 “(1) if such individual entered upon such service
2 before the commencement of the taxable year beginning
3 in 1943:

4 “(A) the entire amount of the tax so attributable
5 for the taxable year in which falls the date on which
6 he entered upon such service or September 16, 1940,
7 whichever date is the later;

8 “(B) the entire amount of the tax so attributable
9 for all subsequent taxable years during which he was
10 in such service; and

11 “(C) that portion of the tax so attributable for
12 the taxable year last preceding the date on which he
13 entered upon such service or September 16, 1940,
14 whichever date is the later, which bears the same
15 ratio to the total tax so attributable as the number of
16 quarters in the taxable year described in subpara-
17 graph (A) subsequent to the date on which he entered
18 upon such service or September 16, 1940, whichever
19 date is the later, bears to four; or

20 “(2) if such individual entered upon such service
21 during the taxable year beginning in 1943:

22 “(A) that portion of the tax for the taxable
23 year beginning in 1943, reduced by the increase
24 under section 6 (c) of the Current Tax Payment
25 Act of 1943, which bears the same ratio to the total

1 *tax so reduced as the number of quarters in such*
 2 *taxable year subsequent to the date on which he*
 3 *entered upon such service bears to four, to the extent*
 4 *that such portion is so attributable; and*

5 *“(B) the entire amount of the tax so attributable*
 6 *for all subsequent taxable years during which he*
 7 *was in such service; or*

8 *“(3) if such individual entered upon such service*
 9 *after the close of the taxable year beginning in 1943, the*
 10 *entire amount of the tax so attributable for all taxable*
 11 *years during the whole of which he was in such service.*

12 *The computations required by this section shall be made in*
 13 *conformity with regulations prescribed by the Commissioner*
 14 *with the approval of the Secretary. For the purposes of this*
 15 *section, a fractional part of a quarter shall be disregarded*
 16 *unless it exceeds fifteen days, in which case it shall be con-*
 17 *sidered a quarter.”*

18 **SEC. 9. ASSISTANT COMMISSIONERS.**

19 *Subchapter B of Chapter 39 of the Internal Revenue*
 20 *Code is amended to read as follows:*

21 **“SUBCHAPTER B—ASSISTANT COMMISSIONERS**

22 **“SEC. 3905. APPOINTMENT.**

23 *“There shall be in the Bureau of Internal Revenue two*
 24 *Assistant Commissioners, who shall be appointed by the Pres-*
 25 *ident, by and with the advice and consent of the Senate.*

1 "SEC. 3906. DUTIES.

2 "The Assistant Commissioners shall perform such duties
3 as may be prescribed by the Commissioner or required by
4 law."

5 SEC. 10. EXTENSION OF TIME IN CONNECTION WITH RELEASE
6 OF POWERS OF APPOINTMENT.

7 Section 403 (d) (3) of the Revenue Act of 1942 is
8 amended by striking out "July 1, 1943" wherever it appears
9 and inserting in lieu thereof "March 1, 1944"; and section
10 452 (c) of the Revenue Act of 1942 is amended to read as
11 follows:

12 "(c) RELEASE BEFORE MARCH 1, 1944.—

13 "(1) A release of a power to appoint before March
14 1, 1944, shall not be deemed a transfer of property by the
15 individual possessing such power.

16 "(2) This subsection shall apply to all calendar
17 years prior to 1944 and to that part of the calendar year
18 1944 prior to March 1, 1944."

Passed the House of Representatives May 4, 1943.

Attest: SOUTH TRIMBLE,

Clerk.

Passed the Senate with an amendment May 14 (legis-
lative day, May 12), 1943.

Attest:

EDWIN A. HALSEY,

Secretary.

78TH CONGRESS
1ST Session

H. R. 2570

AN ACT

To provide for the current payment of the individual income tax, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 14 (legislative day, MAY 12), 1943

Ordered to be printed with the amendment of the
Senate



In reply to a direct question by the Board as to the cooperation between the administration of the Coast Guard and the advisory committee, both members replied that the cooperation had been satisfactory to the highest degree, both with the academy and headquarters.

Chaplain Moore appeared before the Board and described the importance attached to the religious program at the academy and how each cadet, unless excused, was expected to attend a religious ceremony of his own faith weekly. He informed the present Board, as he had done in the past, of the great need of a suitable chapel to be built when conditions were such as to warrant the undertaking.

Ensign N. S. Dives, of the SPARS, then appeared before the Board and explained that SPARS and WAVES received their uniforms, preliminary indoctrination, were taught military discipline and general training as officers at the United States Midshipmen's School, Smith College, Northampton, Mass. Following this the SPARS took a 3-week intensified course at the academy. Commencing June 24, 1943, however, SPAR officer candidates will receive their entire training at the Coast Guard Academy in a 6-week indoctrination period. She told the Board that both commissioned and enlisted SPARS were intended to relieve trained Coast Guard personnel for combat duty. She told the Board that enlisted girls were used to release yeomen, radiomen, storekeepers, car drivers, and so forth. She explained that enlisted girls were required to have 2 years high school and experience in the line of work for which they desired to apply, while commissioned officers must have at least 2 years college and 2 years training in their professional field. The Cadet Battalion Commander, Cadet Vaughn, appeared before the Board. The superintendent and Captain Reed-Hill were excused so that the Board could hear direct from the head of the cadet organization.

Based on its observations, inspections, and testimony adduced from officers and cadets and after careful discussion and consideration, the Board recommends that sufficient 83-foot fully equipped Coast Guard cutters or corvettes be furnished in order that all reserve cadets may be trained in antisubmarine warfare; that modern ordnance material be supplied in quantities sufficient for the proper instruction of all cadets; that officers and other personnel returning from combat areas with information regarding the war and the Coast Guard's part in it, be ordered to the academy to give lectures and descriptive accounts to the Cadet Corps; and that preliminary steps be taken to negotiate with the city of New London for the transfer to the academy of a strip of land on Riverside Park, adjoining the academy reservation on the south, for the site of the proposed chapel.

The Board continued in session until time to leave for the afternoon train to New York, departing New London at 2:22 p. m., except for adjournment to witness the Coast Guard broadcast in Billard Hall, to view the cadet parade, and to lunch with cadets from their home States. The entire Board departed on the above-mentioned train with the exception of Senator MALONEY, who remained in New Haven. Senator PEPPER and Congressman O'BRIEN left the returning party in New York.

The Board wishes to commend very highly the Coast Guard Academy. It finds this institution to be in excellent physical condition; to be an institution of high scholastic attainments. The cadet corps, which is composed of a group of young Americans selected from every part of the country by a competitive examination open to all, is a body whose esprit and discipline are of the highest order. The Board is particularly impressed by the outstanding work being done by this institution while undergoing great

emergent expansion, including the training of 2,400 cadets per year for reserve commissions as deck and engineering officers, as well as 475 SPAR officer candidates.

Congressman O'BRIEN, chairman of the Board, remarked on the splendid cooperation existing between the officers of the academy and the cadets. He stated that in his observation the personal interest of every officer for the welfare and solicitude of each and every student could be readily detected. All of the members of the Board concurred in this opinion, and in the statement that these conclusions were most obvious from the personal attention that Rear Admiral Pine devoted to the students as a body as well as from the personal attention that is given individual students. The Board, in conclusion, desires to register its high opinion of the excellent and invaluable contribution made by the advisory committee in its relationship with the academy. The personnel of the committee and its achievements have made a marked impression on the Board of Visitors.

Respectfully submitted.

Joseph J. O'Brien, Francis Maloney, Claude Pepper, Patrick A. McCarran, Edward V. Robertson, Schuyler O. Bland, Aime J. Forand, John W. Gwynne; Ellis Reed-Hill, *Secretary*.

EFFECTIVE PLANNING

Mrs. BOLTON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection?
There was no objection.

Mrs. BOLTON. Mr. Speaker, the question has been asked many times: On what basis are we functioning as a nation? I have emphasized more than once the necessity for some over-all planning.

We do not seem to have any real anti-inflation policy; we do not seem to have any real financial policy; we do not seem to have any real draft policy. If we are going into the drafting of women, the regimenting of women, or whatever you wish to call it, possibly only into the registration of women as an over-all policy, such erratic action as we have been taking does not make for a strong nation, the kind of strong nation we need to be if we are to win the war, and if we are to contribute strength to the winning of the war and the building of a new and decent world. To clarify my meaning I ask that you read my extension in the Appendix.

[The matter referred to appears in the Appendix.]

EXTENSION OF REMARKS

Mr. ELLIS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein certain letters.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

Mr. ROCKWELL. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an article by Fulton Lewis, Jr.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

Mr. EATON. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix of the RECORD and to insert therein a resolution from the mayor and Board of Aldermen of Morristown, N. J.

The SPEAKER. Is there objection?
There was no objection.

[The matter referred to appears in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. REES of Kansas. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. REES of Kansas. Mr. Speaker, I take this minute to call the attention of the House to an important contribution that is being made by the school children of Kansas in the prosecution of the war. These children are, of course, contributing in a number of other ways, but he is one which I think is worthy of special mention. Perry E. Nussbaum, of Wichita, head of the Schools for Victory Program in our State, reports that Kansas schools thus far have purchased more than 1,700 Army jeeps. In a letter to Principal Kuiken, of the Dickinson County High School, of Chapman, Kans., Mr. Nussbaum credits that school with the purchase of 6 Army jeeps. It is one of the typical high schools of Kansas and is located in a rural community. A number of other high schools have also made similar creditable showings in this respect. It has occurred to me that the enthusiasm exhibited by school children of Kansas in support of the war effort is worthy of our recognition as well as our commendation.

CORRECTION OF ROLL CALL

Mr. CASE. Mr. Speaker, on roll call No. 73 of yesterday, a quorum call, I am recorded as failing to answer to my name. I was present and answered to my name. I ask unanimous consent that the RECORD and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from South Dakota?

There was no objection.

EXTENSION OF REMARKS

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a newspaper article.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

(Mr. LAMBERTSON asked and was given permission to extend his own remarks in the RECORD.)

Mr. LAMBERTSON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

[The matter referred to appears in the Appendix.]

CALL OF THE HOUSE

Mr. HESS. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

By unanimous consent, a call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 74]

Anderson, Calif.	Guyer	Phillips
Barry	Hancock	Randolph
Buckley	Hinschaw	Rolph
Chapman	Izac	Sabath
Clark	Johnson, Okla.	Sheridan
Cochran	Judd	Smith, Maine
Costello	Kee	Thomas, N. J.
Culkin	Lea	Vinson, Ga.
Dies	Lemke	Welch
Dirksen	Luce	West
Elliott	McGranery	Whelchel, Ga.
Fogarty	Magnuson	White
Forand	Nichols	Woodruff, Mich.
Gibson	Norton	Worley
Granger	O'Toole	

The SPEAKER. On this roll call 388 Members have answered to their names, a quorum.

By unanimous consent, further proceedings, under the call, were dispensed with.

CURRENT TAX PAYMENT BILL OF 1943

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, with a Senate amendment thereto, disagree to the Senate amendment, and agree to the conference requested by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. KNUTSON. Mr. Speaker, I offer a privileged motion.

The Clerk read as follows:

Mr. KNUTSON moves that the managers on the part of the House at the conference on the disagreeing votes of the two Houses on the bill H. R. 2570 be, and they are hereby, instructed to agree to the amendment of the Senate to the said bill.

The SPEAKER. The gentleman from Minnesota is recognized for 1 hour.

Mr. KNUTSON. Mr. Speaker, I yield 30 minutes to the gentleman from North Carolina, with the understanding that we will close the debate on this side.

Mr. COOPER. You have that right, under the rule.

Mr. KNUTSON. I know.

Mr. MAY. Mr. Speaker, will the gentleman yield for a unanimous-consent request?

Mr. KNUTSON. I yield to the gentleman from Kentucky.

Mr. MAY. Mr. Speaker, I ask unanimous consent to extend by own remarks in the RECORD and include therein certain letters which I have received from Secretary Knox.

Mr. STEWART. I object to the introduction of the letters, Mr. Speaker.

Mr. KNUTSON. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, the Senate bill is substantially the same as the Carlson bill, but there is a difference. The Senate bill has one change that is rather important. It has tightened up the antiwindfall provisions, so that it now applies to the highest of the 3 years 1938, 1939, or 1940 as the base period in determining the amount of windfall.

You will recall that the Carlson bill came within 4 votes of passing the House a couple of weeks ago. The measure we now have before us passed the Senate by a vote of 49 to 30. I call that a pretty impressive vote.

I call the attention of the House to the fact that in the Senate, as in the House, party lines were broken down. It was not made a party issue.

The opposition of the administration to this legislation is nothing new. Do not let them try to stampede you a little later by reading the President's letter. Let us analyze that letter. There is not a word in it to indicate that he is going to veto the bill. This is what he says, in part, and I quote the letter as it appeared in the morning papers:

I am writing you now so that you may know my views and in the hope that a bill may be worked out in conference that I can sign.

I cannot acquiesce in the elimination of a whole year's tax burden.

I call your particular attention to that language. There is nothing in his statement that states that he is going to veto the bill if it comes before him. If I understand the meaning of the English language, the President will allow the bill to become law without his approval.

As I said before, this is not a political question. We divided on it before and we are going to divide on it again.

When the Bureau of Internal Revenue were before the committee during the consideration of this measure they stated they would have to have legislation by May 15 if we were to begin collecting a withholding tax the 1st of July. In order to expedite matters, I have offered the motion you have heard read from the Clerk's desk.

I do not need to argue with you that if this bill goes to a free conference we are going to have a deadlock that will last days and days, and finally end in a stalemate, with no legislation. That will result in the Federal Treasury losing hundreds of millions, if not billions, of dollars in the form of withholding taxes. That is quite a responsibility, and it is one that I do not think this House would care to assume, especially in view of the urgent need for money that exists at the present time. A free conference means that nothing will be done. You may as well reject the bill right here on the floor and be done with it, and let us get on to other important matters. You are going to be told over and over, as you have been told before, that under the Senate bill, you are going to forgive yourselves a year's taxes, that you are going to charge off the books \$10,000,000,000 in revenue. When will that

\$10,000,000,000 be charged off? Under the Senate bill or under the House bill, we pay just as much this year as we did last year, and we will pay as much next year as we did this year, and so on indefinitely.

The SPEAKER. The time of the gentleman from Minnesota has expired.

Mr. KNUTSON. Mr. Speaker, I yield myself 2 additional minutes. Probably someone on the majority side will say that you are voting to forgive yourselves \$2,140. Now you will pay the \$2,140 this year, next year and the year following, as long as you stay in Congress, and when you are defeated or when you retire, the man who succeeds you will pay \$2,140. So there is an uninterrupted collection. Those who are opposed to this legislation very carefully refrain from explaining the fact that under the operation of either the Carlson bill or the Senate bill, the Federal Treasury will not lose anything. I call on those who are to follow me to tell me how much I will be forgiven this year, how much I will be forgiven next year, and the following year. I will pay my full quota of taxes every year from now on, as long as I stay in Congress, or as long as my earnings stay up, or until I die or lose my income and then I am forgiven, and of course it is a crime in the eyes of some people to forgive any debt to a dead man, or to a man out of a job who cannot pay. They would rather pin the badge of a delinquent taxpayer on the breasts of millions of American people in order to enjoy the privilege of indulging in a little cheap politics.

Mr. DOUGHTON. Mr. Speaker, I yield myself 10 minutes and ask unanimous consent to revise and extend my remarks.

The SPEAKER. Is there objection?

There was no objection.

Mr. DOUGHTON. Mr. Speaker, the gentleman from Minnesota [Mr. KNUTSON] has asked the House to instruct its conferees to accept a bill, a part of which I am sure he does not understand, and I know I do not understand. In fact I have never found any Member of this body who does understand all of it. I have discussed it with our experts, and they seem to be puzzled over parts of it. The gentleman is asking that the conferees be instructed to accept a bill which has never been considered by any committee of this House, or by the House itself. Revenue legislation is supposed to originate in the House of Representatives.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I have not the time. It is supposed to originate in the House of Representatives, but the gentleman from Minnesota has asked us to set aside that provision, and merely ratify what the Senate has done. The Senate has made several drastic changes in the bill as it passed the House, but the gentleman from Minnesota is asking us, and in doing so he presents an amazing spectacle, to instruct the House conferees to agree to a bill, the substance of which and the principle of which, was rejected by this House on roll calls on two occasions. He is asking us to accept a bill that was passed by this House as a result

of his own motion. It was he who moved to recommit the committee bill and to instruct the committee to report back favorably with a bill incorporating the provisions of the Robertson-Forand bill.

In other words, he is asking the conferees to agree to a bill that was rejected on two roll calls in this House, and to reject a bill that he himself proposed. If there has ever been a more amusing or a more absurd or more humiliating proposal made in this House, I have never witnessed it in the more than 30 years of my service in this body.

Mr. FULMER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. FULMER. I paid my taxes for 1942 on the 15th of March. What I want to ask the gentleman is this: If the Senate bill passes, is it not true that they will use that money to pay my 1943 tax?

Mr. DOUGHTON. Yes, and, of course, you will never pay your 1942 tax if this bill passes. We all understand that; it has been discussed over and over again. Anyone who says differently is straining at a gnat, and swallowing a camel, and is trying to prove something that is an absurdity.

Mr. LUTHER A. JOHNSON. And the Senate bill treats our soldiers only one-half as generously as the House bill did.

Mr. DOUGHTON. Of course.

Mr. LUTHER A. JOHNSON. Not even half as much. Our bill had an exemption of \$3,500 to the soldiers, while the Senate exemption is \$1,500.

Mr. DOUGHTON. The gentleman says to read to the President's letter. I hope everybody has read it, although the newspapers did not carry it in full. He was sure that the President would not veto the Senate bill, if agreed to by the conferees and approved by the two Houses. The gentleman is straining his imagination, because nothing could be clearer than the President's intention if you read on the second page of his letter the following:

There are limits beyond which I cannot go. I cannot acquiesce in the elimination of a whole year's tax burden for the upper income groups during the war period when I must call for an increase in taxes and savings from the masses of the people.

"I cannot acquiesce." Does not anyone know that if he does not sign the bill and lets it become a law he is acquiescing in it? Any man knows that.

Mr. KNUTSON. Will the gentleman yield?

Mr. DOUGHTON. I yield. The gentleman is begging the question.

Mr. KNUTSON. I call upon the gentleman to read from that letter one line where the word "veto" is mentioned or where he says "I will veto it."

Mr. DOUGHTON. Oh, he did not say "veto." He said he could not acquiesce.

Mr. KNUTSON. Well, he did not acquiesce in the salary ceiling bill either.

Mr. DOUGHTON. If he would let it become law without his signature he would acquiesce. The question is whether or not we want a pay-as-you-go bill now, or whether you want an issue, because just as certain as the sun shines and time rolls on if this bill is sent to the President as passed by the Senate it will be vetoed. We are presented with

the humiliating spectacle that we are asked to be rubber stamps for the Senate. The Senate did not instruct its conferees. It left them free handed to do as they deem best. The gentleman from Minnesota is begging the question when he can read anything in this letter from the President which causes him to conclude, or anyone else to conclude that the President would not veto the Senate bill.

That was the purpose of the letter, to put the House on guard and the Congress on guard, and it was courageous and fair to let the Congress know that if they sent this bill to him, it would not become a law, either by his signature or by his acquiescence. There is nothing that could be plainer than that. The question is, Are we to have a pay-as-you-go bill? If we are, you need not send the Senate bill to the President, because the time would be wasted. All the time we have employed in writing this bill will be lost and you will have no pay-as-you-go tax bill, but you will have an issue. Now, if you want to go before the country on the issue, I welcome it. I deplore seeing politics brought into this tax matter, but if you desire to go before the country on the issue that you vote here today to forgive yourself an entire year's taxes at a time when our soldiers are fighting and shedding their blood and losing their lives all over the world for the preservation of our liberties and the perpetuity of our institutions, if you want to go before the people and explain that and defend it, as far as I am concerned, you are welcome to it, because it is of your own choosing and you will have it to face.

The Senate has not tied or bound its conferees. It has given them the liberty and the responsibility to sit down with us and work out the best possible bill. The Senate spent only about a week on this bill. We spent months. They hurriedly prepared their bill, doubtless believing that many of the provisions which it had hurriedly incorporated and not given the consideration to which they were entitled, would be ironed out in conference. But we become rubber stamps. We close our eyes. We tie the hands of our conferees. We might just as well not go to conference at all. What is a conference for? Why did you not move to concur in the Senate amendments and be done with it? Do you want to meet the Senate conferees hat in hand and get down on your knees and humbly ask them to let us agree and concur in the Senate bill without the dotting of an "i" or the crossing of a "t" or the changing of a punctuation mark? That is the situation you will have if this motion of the gentleman from Minnesota is adopted today. It is the most unreasonable, the most amusing, the most fantastical and gymnastical proposition I have ever heard.

The gentleman is standing on his head and turning himself wrong side out on this question. I have never known such a thing to occur before; going back on his own bill. Without his leadership it could not have passed this House. Now he turns his back on those who co-operated with him and says that the Senate knew better how to write a bill

in 1 week than this House knew how to write one in 3 months. It is the most absurd and ridiculous proposition that has ever been submitted to an American Congress.

I trust the House will not tie the hands of its conferees and force them to accept a bill that it does not want, as emphatically expressed on two separate occasions. To do so would be a blow directed at undermining our legislative system which we all pledged to uphold.

Mr. KNUTSON. Mr. Speaker, I yield 5 minutes to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON of Kansas. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include some tables and other data.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. CARLSON of Kansas. Mr. Speaker, the House today has an opportunity to hasten early action on pay-as-you-go tax legislation. I do not believe there can be a division of opinion as to the wisdom and necessity of getting our taxpayers on a current basis. Previous House and Senate action has demonstrated by substantial votes in both bodies that we must have pay-as-you-go tax legislation. During recent months there has been a pronounced division of opinion on the method of arriving at the current tax collection. Now that we seem to be agreed on the necessity for placing our income taxpayers on a current basis, the issue has narrowed down to the provisions of the bill as passed the House, H. R. 2570, and the bill as amended by the Senate.

Today the House has an opportunity to hasten final action on this important legislation, and I sincerely hope the House will vote to send the bill to conference and to approve the motion offered by the gentleman from Minnesota [Mr. KNUTSON], which would instruct the conferees to approve the amendment passed by the Senate.

There are four reasons why we should do this:

First. It is necessary that we complete legislative action on this bill immediately in order that the collector of internal revenue may have time to set up the administrative machinery necessary to begin collections on July 1.

Second. The House should instruct the conferees to accept the Senate amendment because it will bring more money into the Treasury in 1943 than the bill as passed by the House.

Third. The amendment approved by the Senate makes a hundred percent of the personal income taxpayers current, or as nearly current as any bill can make them.

Fourth. The Senate amendment makes the personal income taxpayers of our Nation current without a doubling up or collection of 2 years' taxes in 1 year.

In discussing these points separately I wish to state first that Mr. Guy T. Helvering has advised the committee that it is necessary that legislative action be completed on pay-as-you-go tax legislation by May 15 in order that he might have sufficient time to set up the collection machinery. This is an immense

undertaking and we should assist this administrative agency of the Government by approving this legislation today. There can be no question as to the need for the legislation as I think it can be safely said that everyone from the President down has urged approval of this type of legislation. The citizens of our country are demanding it and this is our opportunity to hasten action.

On the second point I wish to state that revenue is most important from a Treasury standpoint and from the standpoint of the individual taxpayer. Much is being said about the necessity of siphoning off certain moneys in order to assist in the fight against inflation. I want to call your attention to the fact that as a result of the windfall provisions and the fact that liabilities on higher incomes will be collected sooner than under the present law by the reason of withholding at the source and current payments, income-tax payments due under the Senate amendment in the fiscal year 1944 are expected to be \$2,012,000,000 greater than the amount due under the present law. This is most important and I want to further call your attention to the fact that the approval of the bill that passed the House will result in practically no increase in revenue. Under existing law the estimated income-tax liability for the fiscal year 1944 will be approximately \$13,000,000,000. Under the House bill it will be \$13,023,000,000, and under the Senate amendment it will be \$15,012,000,000. This additional \$2,000,000,000 is important to the Treasury and should carry much weight in the discussion here this afternoon.

For fear there are some here who contend that the Senate amendment or Ruml plan is inflationary I would like to call attention to the testimony of Marriner S. Eccles, Chairman, Board of Governors of the Federal Reserve System, as he testified before the House Committee on Banking and Currency on May 10 and 11. He was interrogated by the gentleman from Texas [Mr. PATMAN], and his testimony reads as follows:

Mr. PATMAN. It is 12 o'clock now, and I have taken too much time, but I would like to ask you just one more question. Since you say it is highly inflationary to have the commercial banks create this money, and since you have pointed out several things that Congress has done that have caused inflation, what do you think of the passage of a bill as proposed in the Ruml plan? What effect will that have on inflation or our power properly to control inflation?

Mr. ECCLES. The proposed tax bill, you mean?

Mr. PATMAN. Yes.

Mr. ECCLES. The tax bill that was passed?

Mr. PATMAN. Yes. Suppose we forgive 40 percent or 50 percent. What effect will that have on our power to control inflation?

Mr. ECCLES. I do not get your point. I do not see that the Ruml plan or the Robertson plan or any other plan has any effect on inflation any more than any other tax bill except that it raises more or less money.

Mr. PATMAN. This is a forgiveness bill. What I mean is this: Suppose you release \$10,000,000,000 of purchasing power. In other words, \$10,000,000,000 is tied up because it is expected to be paid in taxes. If you release it you release \$10,000,000,000 worth of purchasing power. Will that have any effect on our power to control inflation or not?

Mr. ECCLES. To the extent that the people who owe that \$10,000,000,000 have actually got it in the form of cash reserves or the equivalent, naturally it would increase the inflationary pressure to the extent that they undertook to spend it. Now, I do not believe that even a very small fraction of the people who are subject to taxes have the cash on hand to meet the taxes. I do think that the larger taxpayers do have cash on hand to meet their taxes, or the equivalent in the form of Governments or some other means of paying the taxes. There may be some increase in the expenditures of people with surplus funds of that sort, but the well-to-do people, I do not believe, would possibly spend a great deal more on consumers' goods, whether this bill was passed or it was not passed.

The third point I mentioned deals with the individual taxpayer and the Senate amendment would make personal income taxpayers as current as it is possible to make them. H. R. 2570, as it passed the House, would make 40,000,000 of the 44,000,000 taxpayers current by forgiving them 100 percent of their liability. If there is any reason on earth for making 40,000,000 taxpayers current by forgiving them 100 percent, then the same reason would compel any fair-minded man to state that the other 4,000,000 American taxpayers should be treated likewise.

I do not see how anyone can justify the inequality of tax abatement in the House bill. Why abate taxes for 40,000,000 taxpayers in order to get them current and at the same time abate in reducing percentages to the 4,000,000 taxpayers who pay 60 percent of the total income tax of the country? If our progressive system of levying income taxes is sound and just in the collection of taxes then it does seem to me that it is just as sound to abate the taxes in reverse. Should the House bill be approved in my opinion it would be unjust and discriminatory to a large portion of our taxpayers. I do not want to treat the American taxpayers in that way.

The fourth point I have previously mentioned in regard to the Senate bill is that it makes our taxpayers current without paying 2 years' taxes in one. I think it is generally agreed by every one that the placing of our taxpayers on a current basis must necessarily cost something unless we believe we can collect 2 years' taxes in one. In fact, there is no loss to the Treasury unless you believe we can double up on income-tax collections. The Senate amendment provides

Estimated income-tax liabilities of the calendar years 1942, 1943, 1944, and 1945, under present law and under certain pay-as-you-go bills and estimates of the portions of the income-tax liabilities of the calendar years 1942, 1943, 1944, and 1945 which are due and payable into the Treasury in the fiscal years 1943, 1944, and 1945¹

[In millions of dollars]

	Income-tax liabilities				Income-tax liabilities due and payable into the Treasury		
	Calendar years—				Fiscal years—		
	1942	1943	1944	1945	1943	1944	1945
1. Under existing law.....	9,815.3	14,715.7	14,715.7	14,715.7	5,459.6	12,999.5	14,715.8
2. Under existing law but with special treatment for members of the armed forces as in the Senate Finance Committee bill.....	9,815.3	13,956.4	13,956.4	13,956.4	5,459.6	12,619.8	13,956.5
3. Same as 2, but with pay-as-you-go in operation by Jan. 1, 1942.....	9,815.3	13,956.4	13,956.4	13,956.4	11,328.3	13,956.4	13,956.4
4. Under the Senate Finance Committee bill.....		15,256.4	13,956.4	13,956.4	5,459.6	15,012.2	14,056.2
5. Under the House bill.....	2,213.5	13,913.8	13,913.8	13,913.8	5,277.7	13,022.8	13,913.8
6. Under the Ways and Means Committee bill.....	4,780.2	13,913.8	13,913.8	13,913.8	5,277.7	15,723.6	15,506.9

¹ Total taxable income for a calendar year is assumed to be distributed equally among the 4 quarters of the year. Calendar years 1944 and 1945 income has not been forecast, but has been assumed to be the same as forecast for calendar year 1943.

² Note that this is the only estimate for which the effective date of pay-as-you-go provisions is Jan. 1, 1942. The Senate Finance Committee bill, the House bill, and the Ways and Means Committee bill, are all effective July 1, 1943, except that special treatment of the armed forces with respect to 1942 income tax liabilities is reflected in June 15, 1943, payments.

Treasury Department, Division of Research and Statistics. May 11, 1943.

for making taxpayers current by moving the tax clock ahead 1 year with amendments which take care of windfall or abnormal incomes in either 1942 or 1943. The Ways and Means Committee has labored diligently with this problem and in fact it has been the crux of our difficulty. There are those who honestly and sincerely believe we cannot abate taxes and as firmly believe we must get our income taxpayers on a pay-as-you-go system. The discussion during the past few months has been clouded with the issue of forgiveness.

One would gather from the discussions and debate that the Federal Treasury would lose \$10,000,000,000 of 1942 tax liability. Nothing is further from the truth. The individual taxpayer would benefit only when his income decreased or when he died. The Treasury would continue to receive increased revenue under existing rates because of increased national income. If the House today approves the Senate amendment and adopts withholding at the source, the income-tax liability for the fiscal year 1944 will be increased by over \$2,000,000,000. If we retain the present law, we will collect \$13,000,000,000 in the fiscal year 1944. If we approve the House bill, we will collect \$13,023,000,000. The Senate amendment, if adopted, would produce estimated income-tax liabilities for the fiscal year 1944 of \$15,012,000,000. This should convince anyone that there is no loss in current income or revenue to the Federal Treasury. The loss of tax liability would be spread over a generation of time. In the interests of sound fiscal policy for the Treasury, pay-as-you-go tax legislation should be approved.

Under leave to extend my remarks, I am including the following table showing the estimated income-tax liability due under the various tax proposals, and a short comparison of the Senate pay-as-you-earn tax bill with the Carlson bill:

Estimated income-tax liabilities due in the fiscal year 1944 under various alternatives

[In millions of dollars]

Present law.....	13,000
Finance Committee bill.....	15,012
House bill.....	13,023
Ways and Means Committee bill:	
Maximum discount taken.....	18,623
Minimum discount taken.....	15,724
Carlson bill.....	15,263

The Treasury Department has furnished the following detailed estimates of liabilities under the bill:

COMPARISON OF SENATE PAY-AS-YOU-EARN TAX BILL WITH CARLSON BILL

The Senate version of the Ruml plan is based upon the Carlson amendment as considered in the House on May 4. The major change is in the so-called antiwindfall provisions.

Under the Carlson substitute for the Ways and Means Committee bill, the 1942 income-tax assessment would have been abated in the case of all taxpayers, subject to the following exceptions:

First, Where the 1942 liability was higher than the 1943 liability, and the taxable income exceeded \$5,000, the taxpayer would have been required, in effect, to pay a 1943 tax based on the higher 1942 income rather than the lower 1943 income, and the abatement of 1 year's liability would have been on the basis of the lower income of 1943, rather than the higher 1942 income. The Senate bill eliminates the \$5,000 limitation and applies this provision to all taxpayers having a higher income in 1942 than in 1943. In other words, under the Senate bill, the year of abatement will be the lower of the 2 years in all cases. An exception is made in the case of taxpayers who entered the armed forces during the taxable years 1942 or 1943. In their case, so much of their 1942 income as is attributable to earned income will be excluded from consideration in applying this rule. For the purposes of this provision, the first \$3,000 of all income is presumed to be earned income, but in no case shall it be considered to be more than \$14,000. This exception will prevent this antiwindfall provision from working a hardship in the case of persons in the armed service whose 1942 civilian income exceeds their 1943 service pay.

Second, The Carlson substitute included a second anti-windfall provision designed to prevent swollen war incomes from escaping their fair share of the tax. As amended in the House in committee of the whole, it provided that where the taxable income in the year otherwise abated exceeded the 1940 taxable income by more than \$5,000, the excess should be subject to tax at the regular normal and surtax rates. The effect of this provision was to exclude such swollen income from the benefit of the abatement provisions. The Senate bill makes two major changes in this section: First, it uses the highest income of the years 1938, 1939, or 1940 as the base for measuring swollen war profits in the year otherwise abated; and second, it limits the application of the provision to cases where such excess is more than \$10,000, instead of \$5,000.

Three other important changes are made by the Senate bill, one of which has to do with the withholding tax exemption, and the other two with the sections relating to the special provisions for members of the armed forces.

Under the Ways and Means Committee bill, the Carlson substitute, and the Robertson-Forand bill, two sets of exemptions were provided under the withholding tax. The 3 percent Victory tax withholding applied to that portion of the income in excess of \$624 annually, and the 17 percent income-tax with-

holding applied to that portion of the income in excess of \$550 annually in the case of single persons, and \$1,320 annually in the case of married persons, plus \$385 for each dependent. In order to simplify the collection machinery, the Senate amendment provides for only one set of exemptions, namely, \$624 for single persons, \$1,248 for married persons, and \$312 for each dependent. This change makes it possible to use only 5 withholding-tax tables instead of 25, as in the several House bills.

Under the Ways and Means Committee bill, the Carlson substitute, and the Robertson-Forand bill members of the armed forces, regardless of rank, would have been exempted from income tax on the first \$3,500 of their service pay, in lieu of the regular personal exemption and credit for dependents. The Senate bill modifies this provision by granting each member of the armed forces, regardless of rank, an exemption of \$1,500 with respect to their service pay in addition to the regular personal exemption and credit for dependents.

Under the Ways and Means Committee bill, the Carlson substitute, and the Robertson-Forand bill, the outstanding income-tax liabilities of any member of the armed forces dying in active service would have been canceled, regardless of the year for which they were assessed. Under the Senate bill the cancellation is limited first to that portion of the tax attributable to earned income and, second, to the taxes due and payable since the individual entered the service.

In other respects the Senate bill is substantially the same as the Carlson substitute.

Mr. DOUGHTON. Mr. Speaker, I yield 5 minutes to the gentleman from Tennessee [Mr. COOPER].

(Mr. COOPER asked and was given permission to revise and extend his own remarks.)

Mr. COOPER. Mr. Speaker, in the few minutes allotted to me I shall endeavor to touch briefly upon the Senate bill.

AMOUNT OF FORGIVENESS TOO GREAT

The bill now before us pays an unreasonable and unnecessary price for putting the taxpayer on a pay-as-you-go basis. In the midst of a cruel and costly war and in the face of a \$16,000,000,000 revenue request from the President, this bill forgives over \$8,000,000,000 in taxes. It foregoes the right to tax the income and war profits for a record war year. In developing a pay-as-you-go program for the income tax it loses sight of pay-as-you-go in the broader sense, namely, of paying for the war as we go. It leads taxpayers to expect tax relief at a time when the war effort demands tax increases.

WRONG-WAY REDISTRIBUTION OF WAR COSTS

Under the beguiling description of "equality of treatment" it confers a subsidy on the wealthy which the high rates in the upper brackets block us from recovering.

In terms of our actual income—that is, the income which remains at our disposal after paying our income tax—this bill grants the \$2,000-income man a gift

of less than 4 weeks' actual income. It grants the \$5,000-income man a gift of just under 9 weeks' actual income. The man with the \$50,000 income gets a little more than 1 year's actual income. The gift bestowed on a \$100,000 man is equal to 20 months' actual income, and the gift to a person with a \$1,000,000 income equals 6 years' income after taxes. For the average citizen forgiveness is a drop in the bucket. Yet, for a million-dollar man the subsidy is so great that he could enjoy his current level of income without lifting his little finger.

Comparing tax forgiveness with the tax increases imposed to finance the war, we get much the same picture. For all taxpayers with incomes of over \$100,000 the Ruml-Carlson plan would wipe out all the war tax increases imposed in the Revenue Acts of 1940, 1941, and 1942. At the \$1,000,000 level, this bill would not only wipe out those tax increases but would confer an additional benefit totaling nearly \$600,000. I cannot condone such discriminatory enrichment.

The unjust enrichment of the high-income groups will largely go tax free, since their tax rates are capable of very little expansion. For the average citizen whose tax rates can be substantially increased but who gets only a small gain for cancellation, the situation is reversed. His gift is small and is bound to be temporary, while the gift to the upper income groups is large and permanent. In granting a small gift to those subject to the heaviest tax increases and a large gift to those who are not subject to ratable tax increases, the Ruml-Carlson bill results in gross inequity.

CANCELLATION TOO GENEROUS TO TAXPAYER

In the course of congressional consideration of the pay-as-you-go issue, I believe that many have lost sight of the basic reason for cancellation, namely, to avoid hardship in shifting from the present system to a pay-as-you-go system. The cancellation now provided by the bill goes far beyond the amount needed to avoid hardship. The House bill went as far as it was necessary to go both in converting to a current collection basis and in forgiving taxes. The Senate changes make it perfectly clear that this bill incorporates forgiveness for forgiveness' sake. It is no longer forgiveness as a means to the end of achieving pay-as-you-go. It is an unwarranted subsidy which increases the assets or the spendings of taxpayers.

ANTIWINDFALL PROVISIONS DO NOT IMPROVE THE BILL

The so-called antiwindfall provisions of this bill do not decrease its inequity. In fact, they do not touch the major windfall which accrues to wealthy taxpayers and they bring in new inequities. By basing forgiveness on the lower of 1942 and 1943 incomes, the bill makes a decline in income the test of war profiteering. It hits the person who has suffered an economic loss in 1943 due to war's dislocations just as hard as it hits the person who has received an economic gain from war in 1942.

The other windfall provision puts a special tax on war incomes which exceed pre-war incomes by more than

\$10,000. This will hit persons who are legitimately coming into their own just as hard as it will hit persons who are illegitimately profiting from war. These antiwindfalls make no distinction between just and unjust gains. They make a bad bill even worse.

Mr. KNUTSON. Mr. Speaker, I yield 1 minute to the gentleman from South Dakota [Mr. CASE].

Mr. CASE. Mr. Speaker, I voted against the Ruml-Carlson bill in the first instance, and if the issue were the same today I would vote the same way. The issue now is a parliamentary situation.

The conferees would be bound, except for the fact that the Senate struck out all after the enacting clause, to move between the four corners of the Robertson-Forand bill, passed by the House, and the Senate bill. If you accept the theory they are now permitted to writing anything they please, the proposal to let the conferees act without instruction is a proposal to let them write a new tax bill, which has not been considered in either the Senate or the House.

No one can predict what, if anything, would come out of such a situation. Perhaps a deadlock; delay most certainly. And any delay now threatens the possibility of passing anything that the Treasury can put into operation by July 1.

Now, then, both bills, Senate and House, forgive taxes. Discharge is the word they use. I do not like to discharge tax liability for anyone at a time when general tax-paying ability and revenue needs are the highest in our history. But it is important to get started on a method of collecting taxes where people pay while they have the money to pay. The withholding tax is not ideal; it will not last long. Already employees are figuring their salaries in the amount of "take home money" they get. But the withholding system is the only one we have a chance to get at this time. It is in both bills.

The question, then, comes down to a choice between Senate and House bills. Treasury figures cited here today show that the Senate bill will collect \$15,000,000,000, two billion more than the House bill. It will do that by levies on incomes increased by the war. I say that because it establishes a pre-war base and levies at 1942 rates on the excess in the forgiven year. In this vital respect, then, by \$2,000,000,000 of additional revenue raised from war incomes, the Senate bill is preferable to the House bill.

Consequently, facing the fact that if anything is to be done it must be done now to make sure the Treasury can make it effective on the 1st of July, and considering the fact that the Senate bill proposes \$2,000,000,000 more in revenue, and gets it from war-boostered incomes, the logical thing, it seems to me, is to vote to instruct the conferees for the Senate bill. I shall vote that way.

The SPEAKER. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Speaker, I yield 4 minutes to the gentleman from Iowa [Mr. CUNNINGHAM].

Mr. CUNNINGHAM. Mr. Speaker, twice this House has rejected the com-

mittee bill, twice this House has rejected the Carlson bill, the last time by only four votes; once this House has approved the Robertson-Forand bill. The Senate has rejected overwhelmingly the committee bill and the Forand-Robertson bill and has adopted the Carlson bill with some provisions in it that make it an even better bill than the Carlson bill was as it passed the House so far as windfalls or war millionaires are concerned. So it seems to me today we are faced with the question that this House wants above all the proposals that have been presented to it, the Ruml-Carlson plan as modified by the Senate, and that is what the Senate wants and that is what the people want.

The people want to be on a pay-as-you-go basis. They are anxious to get on a pay-as-you-go basis. A few days ago I was talking with a restaurant man in Washington who employs about 11 people. He tells me he has a complete turn-over in employment now every 3 weeks. He said that these men who come in and work for him work at dozens of different places in a year. They make no tax return, they pay no taxes, and there is no way of catching up with them. Unless we increase the pay roll of Federal employees in the Internal Revenue Bureau to the extent of an army we will never get them. He complained that those who paid taxes are paying the bill and he made the statement that if we were on a pay-as-you-go plan he could deduct their taxes from their pay every week end.

The principal objection to the Carlson-Ruml plan from the beginning was the possibility that under it war millionaires could be created. The Carlson-Ruml plan, the last one, largely took care of that. The Senate version of the Carlson-Ruml bill now before us does an even better job than the last Carlson bill. It will be impossible to have war millionaires under the Senate version of the Carlson-Ruml plan.

Under the Senate bill as it now stands we get three things. First, our taxpayers will be immediately current; second, it will bring into the Treasury more money in 1943 than under the present tax program as it has been; and, third, it will prevent doubling up. That is, there will be no doubling up under it, whereas under the committee proposal which we may yet have to face again if it goes back to conference, we will have doubling up for at least a part of 1942 taxes.

The question before us then is, Shall we adopt the Senate amendment and end the controversy today or shall we send it back to conference and go on all summer?

Mr. DOUGHTON. Mr. Speaker, I yield 5 minutes to the gentleman from Virginia [Mr. ROBERTSON].

Mr. ROBERTSON. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the RECORD and to include a statement made by Randolph Paul, general counsel of the Treasury, before the Senate Finance Committee.

The SPEAKER. Is there objection to the request of the gentleman from Virginia [Mr. ROBERTSON]?

There was no objection.

Mr. ROBERTSON. Mr. Speaker, it should be apparent to all that in our effort to make this tax transition there is no perfect plan and there is no simple plan. The bill passed by the House is as simple as any of them, although all of them are complex. Take the anti-windfall provision of the Senate, for instance; the taxpayer in the high group takes as his base period 1938, 1939, and 1940; he takes the highest of those 3 years, adds \$10,000 to it, and then subtracts from the lowest of 1942 or 1943.

There is nothing simple about that. You have got to take into consideration 5 years of income taxes, the last year of which has still 7 months to go.

It is a tribute to the fairness and the patriotism of the Republican Members of this House that they have been uneasy about the windfall provision of the Ruml plan. They notched it 5 different times in the House, including the amendment by the gentleman from Minnesota [Mr. ANDRESEN] and the Senate notched it again. Six different efforts to eliminate windfalls. They are not yet all out by any means. The two windfalls which Mr. Ruml said should by all means be taken out have not been taken out. He said you should not forgive the capital gains of the man who gambled on war contracts on Wall Street. That is still in the Senate bill. He said there should be a special estate tax for the rich who made large war incomes and then died. That is not taken care of. You cannot take care of those two items unless you send this measure to conference. It is absurd to appoint conferees and give them no chance to improve the bill. The motion to instruct the conferees should be voted down.

It should be a source of gratification to the 313 Members of this House who voted for the bill that was passed by the House and which incidentally had no consideration whatever in the Senate Finance Committee, that the press, on the whole, has been favorable to it. If we accept the Senate bill I do not know whether the President will veto it or not, but that is not our major concern. We ought to do what we think is best and fairest for the country. There is no Member of this House who is more desirous than I to be fair to the rich, but I tell you the passage of the Ruml bill will not be for the best interest of the rich in the long run. I fear an attack upon them if the masses feel they have secured an unfair tax advantage. That attack most likely would be made upon the corporations in which the poor as well as the rich have their savings.

I worked for months last year to get a fair and logical corporate-tax structure that corporations might survive after the war. I do not want to see them the target for attack in the next tax-rate bill. Now, let us consider other windfall provisions of the Senate bill. You cannot ignore this windfall provision. It forgives a man with a \$2,000 salary, 7½ percent of

income after taxes. It forgives the \$100,000 man 178 percent of his net income after taxes. It forgives the millionaire 315 percent over and above taxes. If you vote for that, vote with your eyes open, because sooner or later the people of this country are going to know what that means. The Senate bill redistributes the 1942 tax burden. You have lost an asset of the Government and you can never recover it. The present top rate is 90 percent. To recover the forgiveness of 1942 tax liability you would have to add 28.5 percent for 3 years.

Under the House bill the maximum forgiveness of war taxes, those accumulated from 1940 to 1942, inclusive, was 77 percent. That war tax on the millionaire was \$268,000. When you forgive him \$854,000 you forgive him three times his war taxes, and you forgive him the equivalent of his net income for 6 years and you cannot get that back. In discussing making taxpayers current the Ruml tears were shed for the wage earner. It is absurd to say you must forgive all taxpayers a full year of wartime taxes in order to do that.

Mr. Speaker, this motion should be voted down.

STATEMENT OF RANDOLPH E. PAUL, GENERAL COUNSEL FOR THE TREASURY, BEFORE THE SENATE FINANCE COMMITTEE ON THE CURRENT PAYMENT OF THE INDIVIDUAL INCOME TAX

I. INTRODUCTION

The House of Representatives on May 4, 1943, passed a bill providing for current payment of the individual income tax. While some features of the bill were the subject of extensive controversy, large areas of agreement prevailed throughout the deliberations in the Ways and Means Committee and in the House. The provisions of the three leading bills, the Ways and Means Committee bill, the Ruml-Carlson bill, and the bill adopted by the House—reflect essential agreement on the major issue of current payment. All three bills provide for collection at source from wages and salaries starting July 1 at a rate of 20 percent above exemptions. All three bills adopted the same techniques for collection of other liabilities payable currently, but not collected at source. Only with respect to the transition to the new system was there controversy and this was principally with respect to the amount and distribution of tax cancellation for 1942.

Before this committee I need not dwell on the importance of placing taxpayers on a pay-as-you-go basis and eliminating for the great mass of taxpayers the 1-year lag which now exists in our present system of individual income-tax payment. With rates at wartime levels, taxpayers, especially those in the lower income groups, find it difficult to accumulate in advance the funds needed for quarterly lump-sum payments. They may suffer actual hardship in the case of a drop or failure in income because of the lag in income-tax payments. It is now universally recognized, I believe, that tax payment will be made easier, and that hardship will be avoided if tax liabilities are discharged currently out of pay envelopes instead of waiting until the year following the receipt of income. At the same time, current collection will more adequately protect Treasury revenue, and will guarantee a more prompt and more certain flow of revenue to the Government than does the existing method of collection. By promptly withdrawing purchasing power from the income stream before it can exert an upward pressure upon prices, a pay-as-you-go system will strengthen the

Government in its critical fight against inflation.

The advantages stated accrue both to taxpayers and Government. With overhanging income-tax debt eliminated for the great majority of taxpayers, and with taxes budgeted more certainly and smoothly, taxpayers are better prepared to meet the demands that may be made on them by the necessities of war finance. An income tax payment system putting the great majority of taxpayers on a current basis will better prepare the income tax for its role in the enormous job of financing this total war. These points, I believe you will agree, settle beyond dispute the importance of the pending legislation.

2. COLLECTION AT THE SOURCE

The withholding provisions of the three major bills considered by the House are identical. Withholding from wages and salaries at a rate sufficient to cover the Victory tax, the normal tax, and 13 percent of surtax net income is to begin on July 1, 1943. In general, the withholding system now in effect for the Victory tax, modified to take account of personal exemptions, is utilized. The withholding rate is 17 percent on the amount of wages over the income tax withholding exemption and 3 percent on the wages over the Victory tax withholding exemption. Thus withholding is required not on a gross basis but only on the excess of the total wages over exemptions and an allowance for normal deductions.

The reduction of the Victory tax withholding rate from 5 to 3 percent is made to avoid overcollection of the Victory tax liability which, after taking account of credits, more nearly approximates 3 than 5 percent. The 17 percent rate for the income tax is designed to collect approximately the normal tax of 6 percent, plus the minimum surtax rate of 13 percent. The withholding rate is slightly lower than the sum of the normal tax and the first bracket surtax, in order to make partial allowance for deductions. The rates are thus designed to minimize as far as possible overwithholding and the consequent necessity for making refunds.

The amount of each wage or salary payment subject to withholding is determined by subtracting from the gross payment the withholding exemptions allowable. The withholding exemption for the Victory tax is \$624. The withholding exemptions for the income tax are the regular personal exemptions of \$500 for a single person, \$1,200 for a married person, and an additional \$350 for each dependent, each increased by 10 percent to allow for average deductions. These exemptions are prorated according to the length of the pay period, that is, weekly, semimonthly, monthly, or other pay periods. For example, the weekly Victory tax allowance is \$12, while the weekly income tax allowance is \$11 for a single person, \$26 for a married couple, and \$8 for each dependent.

To enable the employer to determine the proper amount of tax to be withheld, the employee is required to furnish a signed withholding exemption certificate showing whether he is single or married and the number of his dependents. If his marital and dependency status changes, the employee is required to file an amended certificate to take effect for future pay periods. The employer is entitled to rely on the exemption certificate furnished him by the employee in computing the amount to be withheld from the employee's wages, and if the employee fails to furnish the required certificate, no personal exemption or dependency credit is to be allowed. Thus, the employer is not placed under a duty to ascertain the status of an employee, and the responsibility in this regard falls upon the employee.

The House bill gives employees the option of either directly computing the amounts of

tax to be withheld or using wage-bracket tables. If the employer chooses the computation method, he subtracts the Victory tax withholding exemption from the wage payment and applies a rate of 3 percent to the balance, and subtracts the income-tax withholding exemption from the wage payment and applies a rate of 17 percent to the balance; the sum of the two resulting amounts is the amount to be withheld. If the employer uses the tables which the House bill provides for the standard pay-roll periods, he determines the amount to be withheld by reading it from the tables. Knowing the person's marital status and number of dependents, the employer needs only to locate the bracket in which the given wage falls and to read off the corresponding amount to be withheld.

Under the House bill the employer is required to make quarterly returns and pay over the tax withheld from his employees in each quarter on or before the last day of the month following the close of the quarter. He is also required to furnish each employee a written receipt showing the wages paid during the year and the amount withheld. If the employee's services are terminated before the close of the calendar year, the receipt must be furnished on the day on which the last payment of wages is made, except that an extension of 30 days may be granted by the Commissioner. In lieu of the present information return with respect to wages, the employer is required to attach to the last quarterly return for the calendar year copies of the receipts which he gives to his employees so that they may be checked against the returns filed by the individual wage earners.

After the close of the year, wage earners are required to file returns showing their actual income and final liabilities for the year. The tax withheld at source is allowed as a credit against such final liability, and adjustments to such liability are made by additional payments or refunds. For the vast majority of wage earners these adjustments will be minor in amount.

Collection at source applies only to compensation for personal services. However, certain types of employment are excluded from withholding under the bill. The principal types excluded are domestic servants, members of the armed forces, and farm labor.

The House bill will discharge by collection at source substantially the full tax liability for persons whose income consists of wages not exceeding \$2,700 if single and \$3,500 if married, and correspondingly higher amounts if the employee has dependents. Seventy percent of all taxpayers will have their entire tax liability withheld at source and an additional 10 percent will have part of their liability withheld at source.

Since the provisions of the House bill with respect to withholding were drafted, conferences with representatives of employers have produced several suggestions, tending to simplify the burden on employers which is involved in the mechanics of applying the system of collection at the source. Suggested changes of this nature will be described in a separate statement.

3. CURRENT PAYMENT OF TAX LIABILITIES NOT COLLECTED AT SOURCE

Collection at source will discharge the tax liabilities for most taxpayers. There are two types of cases where collection at source does not discharge the total tax liability. One is the case where incomes are not from wages and salaries. The other case is where incomes extend into brackets with rates higher than those covered by collection at source.

With respect to incomes not subject to collection at source the basic technique is the same for all three bills. This technique involves a declaration by the taxpayer of his

estimated tax liability for the current year by March 15. This estimated tax is to be paid at quarterly intervals thereafter, or earlier if the taxpayer chooses. The taxpayer may revise the declaration of the estimated tax each quarter and ratably increase or decrease remaining installments.

In the case of the Ruml-Carlson bill and the Ways and Means Committee bill this technique was also to be applied to the balance of the tax liability on incomes subject to source collection but falling in the higher surtax brackets, and to higher surtaxes on incomes not subject to collection at source. It would thus achieve current collection of the total tax liabilities of all taxpayers, except for necessary year-end adjustments. The House bill, however, provides for current collection only of an estimated basic tax of 20 percent. Any balance of tax liability over this amount is payable in the year following the receipt of income in the same manner as under present law.

Declarations of estimated basic tax are required only of those individuals who have more than \$100 of income not subject to withholding and whose total gross income would require them to file income-tax returns at the end of the taxable year. Thus, persons whose entire income consists of wages subject to withholding and only a nominal amount of other income are not required to file declarations.

A special rule, common to all three bills, applies to farmers who fulfill the requirements with respect to gross income. Farmers are defined as individuals whose estimated gross income from farming amounts to at least 80 percent of the total estimated gross income from all sources. In their case the declaration of the estimated tax may be made at any time on or before the 15th of December. Farmers are not required to pay in installments, but they may voluntarily elect to do so.

Under the House bill, to prevent substantial underestimates of the estimated basic tax, a penalty is added to the tax. The penalty is 6 percent of any amount by which 16 percent of the actual net income less wages subject to withholding or the personal exemption, whichever is the greater, exceeds the estimated basic tax paid during the year. In other words, this penalty applies only if the individual underestimates by more than 20 percent the net income on which the estimated basic tax is computed. A special rule applicable to farmers who elect the end of the year filing date provides a tolerance limit of 33½ percent of actual net income over wages or personal exemption, whichever is the greater.

Additional penalties are provided to safeguard the current payment system. In the case of a failure to file a declaration of estimated tax within the time prescribed, the penalty is \$10 or 10 percent of the tax, whichever is greater. In the case of a failure to pay an installment of the estimated tax within the time prescribed, the penalty is \$2.50 or 2½ percent of the tax, whichever is greater, for each installment with respect to which such failure occurs.

This system of current payment of tax not collected at source is to come into operation in the third quarter of 1943 to parallel the new collection-at-source system which begins July 1, 1943. The March and June installments of 1942 tax payable in 1943, insofar as an amount equal to the forgiven basic liability is concerned, will be treated as current payments of estimated basic tax for 1943. When the taxpayer files his return in March 1944 adjustments will be made for overpayment or underpayment of the 1943 liability.

4. EXTENT TO WHICH TAXPAYERS ARE ON A CURRENT BASIS UNDER THE THREE MAJOR BILLS

The current payment features of the House bill place 90 percent of taxpayers on a fully current basis except for minor year-end ad-

justments. The great majority of the remaining 10 percent of taxpayers are made substantially current. Less than 1 percent of all taxpayers would not be at least 75 percent current, and only about 700,000 taxpayers out of nearly 44,000,000 will have a liability exceeding \$90 carried over beyond the close of the current year. The House bill achieves current collection for the taxpayers in the lower brackets to whom it is most essential and falls short of fully current collection for only the 4,000,000 taxpayers who have surtax net incomes in excess of \$2,000—that is, in excess of the first surtax bracket. In the case of higher-bracket taxpayers, a very substantial part of the tax is discharged currently because the bill applies current collection to the basic tax on the entire income regardless of the surtax bracket into which it falls.

Under the Ruml-Carlson bill all taxpayers would be fully current almost immediately. Under the Ways and Means Committee bill, all taxpayers would be on a current basis with respect to their taxes on current income before the end of 1943. The 7,000,000 taxpayers who had no liability on 1942 income at 1941 rates and exemptions would be current as to all liabilities, while the remaining taxpayers would be required to pay their reduced 1942 tax concurrently with their taxes on current income during 1944, 1945, and 1946.

5. TREATMENT OF 1942 TAX

Although all three bills before the House provided the same methods of collection at source and current payment, the amount of forgiveness of 1942 taxes and the distribution of the forgiveness were a major subject of controversy. The House bill cancels the 6-percent normal tax and 13 percent of surtax net income on 1942 individual incomes. No problem arises on account of the unforgiven 1942 tax. Since only the basic liability for any year is payable currently and since this corresponds to the amount of 1942 tax forgiven, there can be no doubling up of payment.

The Ruml-Carlson bill cancels the entire tax on 1942 income except for certain offsets intended to prevent windfall gains to some taxpayers. One of these antiwindfall provisions applies where 1943 income is less than 1942 income while the other applies when both 1942 and 1943 incomes are greater than 1940 income, the year 1940 having been substituted for the year 1941 by floor amendment. Under the Ruml-Carlson bill there would in general be no doubling up, since, while the whole tax is payable currently each year, the entire 1942 tax is correspondingly forgiven. An exception is presented in those cases where the second of the above antiwindfall provisions is applicable, since the amount of tax not forgiven under the antiwindfall provisions is payable in 1943, unless an extension of time is granted by the Commissioner in cases of hardship.

The bill reported by the House Ways and Means Committee recomputes the tax on 1942 income at 1941 rates and exemptions and the difference is canceled. Under this bill the unforgiven 1942 tax liabilities require special treatment. Provision is made for collecting them in three annual installments beginning March 15, 1944. To encourage advance payment of the later installments, provision is made for a discount of 6 percent of the reduced 1942 tax if full payment is made by March 15, 1944, and a discount of 2 percent of such tax if the 1944 installment is paid and the balance is paid by March 15, 1945. The Commissioner is authorized to grant an extension of time up to 3 years in those cases where payment of any installment would result in undue hardship.

6. PROVISIONS RELATING TO MEMBERS OF THE ARMED FORCES

The House bill contains two provisions relating to members of the armed forces. One

provision exempts from income tax the service pay of most members of the armed forces. The second provision abates outstanding income-tax liability for members of the armed forces who die while on active service. The provisions in the House bill are identical with those contained in the Ruml-Carlson bill and in the Ways and Means Committee bill.

Under present law there is provided an exclusion from gross income in the case of personnel below the grade of commissioned officer in the military and naval forces of the United States. The amount excluded under this provision is not to exceed \$250 in the case of a single person and \$300 in the case of a married person or head of a family and applies only to salary or compensation received for active service in the armed forces during the present war. These exclusions are in addition to the personal exemptions.

The House bill proposes to amend this provision by increasing the exclusion from gross income in the case of military and naval personnel, without distinction as to rank, with respect to the compensation received during any taxable year for active service during the present war. The amount so excluded is not to exceed the excess of \$3,500 over the personal exemption claimed by the member of the military or naval forces. If such member of the armed forces is married and living with his spouse on the last day of the taxable year and his spouse is not a member of the military or naval forces, the amount of the exclusion is not to exceed the excess of \$3,500 over the personnel exemption claimed by both the spouse and the member of the military or naval forces. Thus, under this provision, the amount of service pay which may be excluded from gross income in the case of a married person is the same regardless of whether joint or separate returns are filed and regardless of the property law of any State. The amendment would apply with respect to all compensation received after December 31, 1941, by a member of the armed forces of the United States for active service in such forces, and is thus retroactive to the year 1942.

Under another provision of the House bill, members of the armed forces who die in active service are relieved from income taxes for the taxable year in which falls the date of death. In addition, there is abated all income taxes (including interest and additions to tax) which are unpaid as of the date of death. If the amount of any such liability which was unpaid as of the date of death is collected subsequent to such date, provision is made that the amount so collected shall be credited or refunded as an overpayment. This amendment becomes effective with respect to members of the armed forces dying in active service on or after December 7, 1941.

7. REVENUE EFFECTS UNDER THE THREE MAJOR BILLS

The 1942 tax liabilities under present law are estimated at \$9,815,000,000 before giving effect to the special provisions relating to the armed forces and at \$9,451,000,000 after giving effect to these special provisions. The House bill would cancel \$7,238,000,000. The Ruml-Carlson bill would cancel the entire \$9,451,000,000 but would recoup through windfall provisions \$1,133,000,000, resulting in a net cancellation of \$8,319,000,000 after giving effect to these special provisions. The Ways and Means Committee bill would cancel \$4,672,000,000. Thus, of the 1942 liabilities there would remain only \$2,214,000,000 under the House bill, \$1,133,000,000 under the Ruml-Carlson bill (this entire amount being due to the special windfall provisions) and \$4,780,000,000 under the Ways and Means Committee bill.

Under the House bill the tentative estimates of income-tax liabilities due in the fiscal year 1944 would not be appreciably dif-

ferent from the income-tax liabilities due under the present law. The liabilities due in each case would amount to approximately \$13,000,000,000. The increase of over a half billion dollars in liabilities due in the fiscal year 1944 under the House bill as a result of subjecting the higher levels of income in 1943 and 1944 to current tax payment insofar as the basic liability is concerned is offset for the most part by the decrease in liabilities resulting from the relief for the armed forces.

Under the Ruml-Carlson bill the liabilities due in the fiscal year 1944 would amount to \$15,263,000,000 and under the Ways and Means Committee bill to \$15,724,000,000 if no discounts are taken, and \$18,623,000,000 if the maximum discounts are taken. The larger collections under the Ways and Means Committee bill and the Ruml-Carlson bill in that particular year are due in part to a doubling up of certain liabilities with respect to 1942 taxes and in part to a more complete dependence of the liabilities due in the fiscal year 1944 upon the higher level of current income than under the House bill, since under the House bill the liabilities with respect to the upper surtax brackets are based upon the preceding year's income.

In the fiscal years 1945 and 1946 the Ways and Means Committee bill will continue to produce larger amounts of revenue than the other two bills to the extent that the 1942 tax is not fully paid in 1944. The revenue under the Ruml-Carlson bill and the House bill will be equal in fiscal year 1945 if 1944 and 1945 incomes are at the same level as 1943 incomes. If the trend of income continues upward the yield under the Ruml-Carlson bill will be somewhat higher than under the House bill since current collection applies to the whole tax instead of to the basic tax, which accounts for about three-fourths of the total. On the other hand, if income trends should turn downward the yield under the Ruml-Carlson bill would, for the same reason, be less than the yield under the House bill.

The estimated income tax liabilities due during 1943 and 1944 and the amount of 1942 taxes canceled under the Ruml-Carlson bill are given in exhibit 5. Corresponding estimates under the House bill and the Ways and Means Committee bill are given in exhibits 6 and 7.

8. DISTRIBUTION OF FORGIVENESS

The three plans differ not only with respect to the aggregate amount of tax forgiven but also with respect to the distribution of forgiveness among the various income brackets. Superficially each of the three bills distributes its forgiveness on a uniform pattern. The Ruml-Carlson bill forgives the whole tax from the lowest income to the highest income. The House bill forgives the normal tax and 13 percent of surtax net income uniformly from top to bottom. The Ways and Means Committee bill shifts the rates and exemptions from the 1942 levels to the 1941 levels for all taxpayers. Thus on its face each bill appears to apply its forgiveness on a uniform basis for all taxpayers.

This apparent uniformity, however, does not mean that in actual operation each of the three bills distributes the benefits of forgiveness in an equitable manner. The relative distribution of forgiveness among different income brackets differs widely under the three bills. The assumption, which many people make, that uniform treatment is afforded when the same percentage of tax is forgiven to all taxpayers fails to take account of several very important considerations.

A usual method of comparing the fairness of tax provisions is to measure the distribution of tax burdens imposed among the various income levels. On this basis of comparison, both the House bill and the Ways and Means Committee bill distribute the remain-

ing 1942 tax burden in the form of progressive tax rate schedule although they differ as to exemptions and the pattern of the rate schedule. The Ruml-Carlson bill, however, leaves no burden at all on 1942 income, except as to the anti-windfall provisions. This pattern of burden is obviously not equitable in a year of wartime income.

A second method of measuring the fairness of the distribution of tax forgiveness is based on the amount of income which a taxpayer has at his disposal to spend or to save—not income before taxes, but income after payment of taxes. The Federal income tax has been in operation for 30 years. During every year of that time the receipt by an individual of a dollar of net income above exemptions has concurrently created a tax liability which must be subtracted to reflect the actual income. It is this actual income after tax and not the income before tax which is the proper standard for measuring the effects of tax forgiveness on persons in different income levels. Forgiveness adds wealth to the taxpayer, or reduces his liabilities, which is in effect the same thing. How do the amounts of the forgiveness under the three bills compare with respect to income remaining after the taxes which are prescribed for 1942 by existing law?

The answer to this question may be seen in the following table showing for the three bills the relation of the amount of the forgiveness to the income after tax:

Net income before personal exemption	Income tax, present law (married person, no dependents)	Income after tax	Amount forgiven under—		
			Ruml-Carlson bill	House bill	Ways and Means Committee bill
\$2,000.....	\$140	\$1,860	\$140	\$140	\$100
\$3,000.....	324	2,676	324	324	192
\$5,000.....	746	4,254	746	691	388
\$10,000.....	2,152	7,848	2,152	1,614	860
\$25,000.....	9,220	15,780	9,220	4,437	2,396
\$100,000.....	64,060	35,940	64,060	18,690	11,357
\$1,000,000.....	854,000	146,000	854,000	189,750	121,126

Net income before personal exemption	Income after tax	Amount forgiven as percent of income after tax under—		
		Ruml-Carlson bill	House bill	Ways and Means Committee bill
\$2,000.....	\$1,860	Percent 7.5	Percent 7.5	Percent 5.4
\$3,000.....	2,676	12.1	12.1	7.2
\$5,000.....	4,254	17.5	16.2	9.1
\$10,000.....	7,848	27.4	20.6	11.0
\$25,000.....	15,780	58.4	28.1	15.2
\$100,000.....	35,940	178.2	52.0	31.6
\$1,000,000.....	146,000	584.9	130.0	83.0

From the above table, it is clear that while all three bills are more generous to the higher income groups than to lower income groups, the Ruml-Carlson plan is much more extreme in this effect. This may be perhaps clearer from the following illustrations:

A person with an income before taxes of \$2,000 whose actual income after taxes is \$1,860, under the Ruml-Carlson bill, would have \$140 added to his \$1,860 or slightly less than 4 weeks' actual income.

A person with \$5,000 income before taxes whose actual income after taxes is \$4,254 would have \$746 added by the Ruml-Carlson bill or slightly less than 9 weeks' actual income.

The person with \$10,000 income before taxes whose actual income after taxes is

\$7,848 would have \$2,152 added, or nearly 14 weeks' actual income.

The person with \$50,000 income before taxes whose actual income after taxes is \$24,672 would have \$25,328 added or a little more than 1 year's actual income.

The person with \$100,000 income before taxes whose actual income after taxes is \$35,940 would have \$64,060 added or about 20 months' actual income.

The person with \$1,000,000 before taxes whose actual income after taxes is \$146,000 would have \$854,000 added or about 6 years' actual income.

Thus, the Ruml-Carlson plan would add actual incomes ranging from 4 weeks for the \$2,000 man to 6 years for the \$1,000,000 man.

A third measure of the fairness of tax forgiveness is the comparison of the amounts of forgiveness with the amounts of tax increases which have been imposed to finance the defense and war efforts. These increases were contained in the Revenue Acts of 1940, 1941, and 1942. They were intended to impose fair and equitable wartime tax increases according to the judgment of Congress. What portion of these increases would be wiped out by tax forgiveness under the three bills at various levels of income? The answer to this question is seen in the following table for a few income levels:

Net income before personal exemption	Tax increases under acts of 1940, 1941, and 1942 for married person, no dependents	Amount forgiven as percent of tax increases under—		
		Ruml plan	House bill	Ways and Means Committee bill
\$2,000.....	\$182	76.9	76.9	55.0
\$3,000.....	469	69.1	69.1	40.9
\$5,000.....	991	75.3	69.7	39.2
\$10,000.....	2,740	78.5	58.9	31.4
\$25,000.....	12,460	74.0	35.6	19.2
\$100,000.....	62,833	102.0	29.7	18.1
\$1,000,000.....	267,006	319.8	71.1	45.4

From the above table, it is seen that in terms of taxes imposed for the war effort, the Ruml-Carlson bill would wipe out the whole increase as of January 1, 1943, for taxpayers with incomes of over \$100,000, and at the \$1,000,000 level would confer additional benefits amounting to nearly \$600,000. The other two bills avoid canceling a greater amount than the wartime tax increases, with respect to all taxpayers.

A fourth measure of the fairness of distributing forgiveness relates to the problem of increased taxes to finance the war. In the January 1943 Budget message, the President asked for "not less than \$16,000,000,000 of additional funds by taxation, savings, or both." In whatever form additional taxes are imposed, it is inevitable that by and large the increases will fall proportionately most heavily on the lower and middle incomes since it is not feasible to raise the rates on the higher incomes proportionally. The increased taxes will apply to periods subsequent to 1942. If 1942 taxes are to be forgiven for the purpose of getting the great mass of our taxpayers on a pay-as-you-go basis, it would seem obvious justice that insofar as possible those who benefit by the forgiveness should be subject at least to an equal amount of additional burdens. It would be grossly inequitable to forgive taxes to income groups on whom future tax increases cannot be imposed and then to impose heavy tax increases on other income groups.

With respect to the possibility of reimposing the canceled taxes on the same income levels, the following table shows the effective rates of tax increase which would have to be applied to selected net incomes under each plan to recoup over a 3-year period the tax forgiven on those amounts of income:

Net income before personal exemption	Effective rates of income and net Victory tax liability, present law	Effective tax-rate increase necessary to recoup canceled taxes at same income levels over a 3-year period		
		Ruml-Carlson bill	House bill	Ways and Means Committee bill
	Percent	Percent	Percent	Percent
\$2,000.....	9.4	2.3	2.3	1.7
\$3,000.....	13.5	3.6	3.6	2.1
\$5,000.....	17.9	5.0	4.6	2.6
\$10,000.....	24.7	7.2	5.4	2.9
\$100,000.....	68.6	21.4	6.2	3.8
\$1,000,000.....	89.9	28.5	6.3	4.0

From the above table it is apparent that the effective rates necessary under the Ruml-Carlson bill necessary to offset the forgiven taxes by rate increases applied over 3 years would exceed 100 percent for the higher income brackets. The bracket rates of tax would have to be even higher.

In the light of these facts, whatever other objections may be brought against the House bill and the Ways and Means Committee bill, these bills cannot properly be criticized as distributing 1942 tax forgiveness less uniformly and less fairly among taxpayers than the Ruml-Carlson bill. On the contrary they are much more equitable in their distribution of forgiveness than the Ruml-Carlson bill, which would result in a substantial redistribution of income in the direction of the higher income levels.

9. SUMMARY

With respect to the collection at the source and the current tax payment provisions, the Treasury believes there is little room for choice between the three major bills. All three provide for the fundamental change in tax payment methods which is necessary in our tax law. While the House bill does not place the higher surtax bracket incomes on a fully current basis, it must be recognized that the taxpayers in these brackets are best able to provide in advance for taxes.

Any choice between the three bills must, therefore, be based primarily upon the treatment provided with respect to the 1942 tax liability. Insofar as the distribution of forgiveness is concerned, the Treasury Department believes that both the Ways and Means Committee bill and the House bill distribute the cancellation of the 1942 tax on a reasonably equitable and fair basis. However, the smaller amount of cancellation under the Ways and Means Committee bill results in a substantial increase in the revenue collections in the next few years at a time when such an increase is vitally necessary. The Treasury therefore believes that the Ways and Means Committee bill possesses a definite advantage over the House bill. With respect to the Ruml-Carlson bill, as has already been indicated, the distribution of forgiveness is thoroughly inequitable and unfair. While this bill would produce some additional revenue in the fiscal year 1944, this aspect is more than offset by the factor of inequitable treatment of the 1942 tax. The Treasury therefore believes that the Ruml-Carlson bill is definitely inferior to both the Ways and Means Committee bill and the House bill.

Finally, I should like to emphasize an aspect of which your committee is fully aware, as indicated by the promptness with which these hearings have been commenced. This is the importance of prompt action in order to permit current collection to start by July 1 of this year. The Bureau of Internal Revenue has already taken preliminary steps to prepare for speedy inauguration of the cur-

rent collection system should the Congress complete its action by May 15. I think it is vitally important both from the standpoint of the taxpayer and the standpoint of the Government to have collection at source under way by July 1. I therefore hope that the committee will take action on this bill in time to permit accomplishment of this objective.

EXHIBIT 1

Amounts of individual net income tax and effective rates of tax for 1942 under (1) present law, (2) Ruml-Carlson bill, (3) House bill, and (4) Ways and Means Committee bill, for selected levels of net income

Net income before personal exemption ¹	Tax on 1942 income				Effective rates			
	Present law	Ruml-Carlson bill	House bill	Ways and Means Committee bill	Present law	Ruml-Carlson bill	House bill	Ways and Means Committee bill
					Percent		Percent	Percent
\$1,200.....								
\$1,500.....	\$48				3.2			
\$1,800.....	103				5.7			1.2
\$2,000.....	140				7.0			2.0
\$2,500.....	232				9.3			3.4
\$3,000.....	324				10.8			4.4
\$4,000.....	532		\$25	236	13.3		0.6	5.9
\$5,000.....	746		55	358	14.9		1.1	7.2
\$6,000.....	992		117	505	16.5		2.0	8.4
\$8,000.....	1,532		289	861	19.2		3.6	10.8
\$10,000.....	2,152		538	1,292	21.5		5.4	12.9
\$15,000.....	4,052		1,513	2,705	27.0		10.1	18.0
\$20,000.....	6,452		2,963	4,581	32.3		14.8	22.9
\$25,000.....	9,220		4,783	6,824	36.9		19.1	27.3
\$50,000.....	25,328		16,143	20,393	50.7		32.3	40.8
\$100,000.....	64,060		45,370	52,703	64.1		45.4	52.7
\$500,000.....	414,000		319,290	345,394	82.8		63.9	69.1
\$1,000,000.....	854,000		664,250	732,874	85.4		66.4	73.3
\$5,000,000.....	4,374,000		3,423,930	3,922,844	87.5		68.5	78.5

¹ Maximum earned net income assumed.

Source: Treasury Department, Division of Tax Research, May 5, 1943.

EXHIBIT 2

Amounts and percents of 1942 tax canceled under Ruml-Carlson bill, House bill, and Ways and Means Committee bill for selected levels of net income

Net income before personal exemption ¹	1942 income tax	Amount of 1942 tax canceled			Percent of 1942 tax canceled		
		Ruml-Carlson bill	House bill	Ways and Means Committee bill	Ruml-Carlson bill	House bill	Ways and Means Committee bill
					Percent	Percent	Percent
\$1,200.....							
\$1,500.....	\$48	\$48	\$48	\$48	100	100.0	100.0
\$1,800.....	103	103	103	81	100	100.0	78.6
\$2,000.....	140	140	140	100	100	100.0	71.4
\$2,500.....	232	232	232	146	100	100.0	62.9
\$3,000.....	324	324	324	192	100	100.0	59.3
\$4,000.....	532	532	507	296	100	95.3	55.6
\$5,000.....	746	746	691	388	100	92.6	52.0
\$6,000.....	992	992	875	487	100	88.2	49.1
\$8,000.....	1,532	1,532	1,243	671	100	81.1	43.8
\$10,000.....	2,152	2,152	1,614	860	100	75.0	40.0
\$15,000.....	4,052	4,052	2,539	1,347	100	62.7	33.2
\$20,000.....	6,452	6,452	3,489	1,871	100	54.1	29.0
\$25,000.....	9,220	9,220	4,437	2,396	100	48.1	26.0
\$50,000.....	25,328	25,328	9,185	4,935	100	36.3	19.5
\$100,000.....	64,060	64,060	18,690	11,357	100	29.2	17.7
\$500,000.....	414,000	414,000	94,710	68,606	100	22.9	16.6
\$1,000,000.....	854,000	854,000	189,750	121,126	100	22.2	14.2
\$5,000,000.....	4,374,000	4,374,000	950,070	451,156	100	21.7	10.3

¹ Maximum earned net income assumed.

Source: Treasury Department, Division of Tax Research, May 5, 1943.

EXHIBIT 3

Income and net Victory tax payments due in calendar year 1944, and effective rates under the Ruml-Carlson bill, House bill, and Ways and Means Committee bill at selected levels of net income¹

MARRIED PERSON—NO DEPENDENTS

Tax payments due

Net income before personal exemption ²	Under both the Ruml-Carlson bill and the House bill	Under the Ways and Means Committee bill	
		If no discount is taken	If 6 percent discount is taken ³
\$1,200.....	\$21	\$21	\$21
\$1,500.....	79	79	79
\$1,800.....	144	151	165
\$2,000.....	188	201	226
\$2,500.....	297	326	378
\$3,000.....	405	449	529
\$4,000.....	647	726	869
\$5,000.....	894	1,013	1,231
\$6,000.....	1,173	1,341	1,648
\$8,000.....	1,780	2,067	2,589
\$10,000.....	2,467	2,898	3,681
\$15,000.....	4,533	5,435	7,076
\$20,000.....	7,100	8,627	11,406
\$25,000.....	10,035	12,310	16,450
\$50,000.....	27,075	33,873	46,244
\$100,000.....	62,584	86,152	118,125
\$500,000.....	440,747	555,878	765,417
\$1,000,000.....	899,000	1,143,291	1,587,902
\$5,000,000.....	4,499,000	5,806,615	8,186,473

Effective rates

	Percent	Percent	Percent
\$1,200.....	1.8	1.8	1.8
\$1,500.....	5.3	5.3	5.3
\$1,800.....	8.0	8.4	9.2
\$2,000.....	9.4	10.1	11.3
\$2,500.....	11.9	13.0	15.1
\$3,000.....	13.5	15.0	17.6
\$4,000.....	16.2	18.2	21.7
\$5,000.....	17.9	20.3	24.6
\$6,000.....	19.6	22.4	27.5
\$8,000.....	22.3	25.8	32.4
\$10,000.....	24.7	29.0	36.8
\$15,000.....	30.2	36.2	47.2
\$20,000.....	35.5	43.1	57.0
\$25,000.....	40.1	49.2	65.8
\$50,000.....	54.2	67.7	92.5
\$100,000.....	68.6	86.2	118.1
\$500,000.....	88.1	111.2	153.1
\$1,000,000.....	89.9	114.3	158.8
\$5,000,000.....	90.0	116.1	163.7

¹ Net income for 1942, 1943, and 1944 assumed to be same. For Victory-tax purposes, gross income assumed to be ten-ninths of net income. Net Victory tax is used on assumption that taxpayer receives current benefit of post-war credit.

² Maximum earned net income assumed.

³ Under the Ways and Means Committee bill a discount of 6 percent is allowed if the entire amount of the reduced tax for 1942 is paid on or before March 15, 1944.

⁴ Taking into account maximum effective rate limitation of 90 percent on combined net income and Victory tax.

Source: Treasury Department, Division of Tax Research, May 5, 1943.

EXHIBIT 4

Approximate distribution of income recipients by percentage of total liabilities discharged currently under the House bill

[Calendar year 1943]

Percentage of total liability discharged currently	Number of taxable income recipients (millions)	Percentage of all taxable income recipients	Cumulative percentage of all taxable income recipients	Maximum amount of tax not discharged currently
100.....	38.7	88.8	88.8	0
90 to 100.....	4.2	9.6	98.4	\$90
75 to 90.....	.3	.7	99.1	550
50 to 75.....	.3	.7	99.8	4,200
25 to 50.....	.1	.2	100.0	115,000
Less than 25.....	.002	.005	100.0	
Total.....	43.6	100.0		

EXHIBIT 5

Estimated income-tax liabilities due under the Carlson amendment, as amended, to H. R.

2570, as voted on in the House of Representatives May 4, 1943, which would—

1. Remit to all taxpayers the net income-tax liabilities on calendar year 1942 income, as modified in provision (2).

2. Allow any member of the armed forces in active service an exclusion from base pay received after December 31, 1941, equal to the excess of \$3,500 over the personal exemption claimed by such member (and by his spouse if such member is married and living with his spouse on the last day of the taxable year, and such spouse is not entitled to the benefit of this allowance).

3. By June 15, 1943, require payment of at least one-half of proposed net income-tax liabilities on income of the calendar year 1942, to be treated as payments toward income-tax liabilities on calendar year 1943 income.

4. Withhold after June 30, 1943, from salaries and wages in excess of the withholding allowance (110 percent of the personal exemption and dependent credit) at a rate of 17 percent; and, in addition, withhold from salaries and wages in excess of an annual rate of \$624 at a rate of 3 percent in lieu of the 5-percent Victory tax now withheld on salaries and wages.

5. For those taxpayers whose calendar year 1942 and calendar year 1943 surtax net incomes exceed calendar year 1940 surtax net income by more than \$5,000, compute an additional calendar year 1943 tax liability as follows: From the smaller of the surtax net income of the calendar years 1942 and 1943, deduct the sum of \$5,000, plus the calendar year 1940 surtax net income. The additional tax is the sum of 6 percent of such difference, plus the surtax computed on such difference at present law rates, and is due by December 15, 1943.

6. For those taxpayers whose present law calendar year 1942 net income-tax liability is both greater than \$1,050 and greater than the calendar year 1943 tax liability, add to present law calendar year 1943 net income-tax liabilities the smaller of the excesses of present law calendar year 1942 net income-tax liabilities over: (a) \$1,050 or (b) present law calendar year 1943 net income-tax liabilities. This additional tax is due by December 15, 1943.

7. Require that total proposed tax liabilities (comprising the proposed net Victory tax and the proposed net income tax but excluding the two additional taxes described in provisions (5) and (6) on incomes of the calendar years 1943 and subsequent years be paid currently. Quarterly payments are required on September 15 and December 15, 1943, to discharge such part of the proposed tax liabilities on income of the calendar year 1943 required to be paid currently as is not withheld during the calendar year 1943 or discharged by payments prior to June 15, 1943. Quarterly payments are required in subsequent years in such amounts that, together with the amounts withheld, tax liabilities will be paid currently.

In millions of dollars

Estimated income-tax liabilities due:¹

Last 6 months of fiscal year 1943.....	5,277.7
First 6 months of fiscal year 1944.....	8,383.3
Last 6 months of fiscal year 1944.....	6,879.8

Total, 18 months, Jan. 1, 1943-June 30, 1944.....	20,540.8
Calendar year 1943.....	13,661.0
Fiscal year 1944.....	15,263.1

¹ Total taxable income for a calendar year is assumed to be distributed equally among the four quarters of the year. Calendar year 1944 income has not been forecast, but has been assumed to be the same as forecast for calendar year 1943.

NOTE.—Figures are rounded and will not necessarily add to totals.

In millions of dollars

Reconciliation of total proposed income tax liabilities, 18 months, Jan. 1, 1943-June 30, 1944, with total tax liabilities under present law on incomes of the calendar years 1942, 1943, and 1944:

Total income-tax liabilities, 18 months period, Jan. 1, 1943-June 30, 1944.....	20,540.8
Amount withheld but not received until after June 30, 1944 (3 months' withholding).....	1,462.6
Proposed net income tax and Victory-tax liabilities through Dec. 31, 1944, not withheld or paid through June 30, 1944.....	6,957.0
Reduction proposed in tax liabilities of the armed forces on incomes of the calendar years 1942, 1943, and 1944 ²	1,967.7
Proposed net income-tax liabilities remitted in addition to the special exclusion allowed to the armed forces.....	9,451.3
Elimination of additions to 1943 net income tax liabilities:	
Windfall provision.....	—455.9
Excess-profits tax.....	—676.9

Total tax liabilities under present law on income of the calendar years 1942, 1943, and 1944.....	39,246.6
Total tax liabilities under Carlson proposal on income of the calendar years 1942, 1943, and 1944.....	28,960.4

² The loss with respect to tax liabilities on income of the calendar year 1944 should be somewhat greater, but has been assumed to be the same as on income of the calendar year 1943. Calendar year 1942 and calendar year 1943 net income tax liabilities are reduced by \$363.9 millions and \$670.1 millions, respectively. Calendar year 1943 net Victory tax liabilities are reduced by \$131.8 millions.

Treasury Department, Division of Research and Statistics, May 5, 1943.

EXHIBIT 6

Estimated income-tax liabilities¹ due under H. R. 2577 as passed by the House of Representatives on May 4, 1943. The estimates assume that H. R. 2577 would—

1. Remit the basic tax liabilities on income of the calendar year 1942 (normal tax plus 13 percent of entire surtax net income).²

2. Allow any member of the armed forces in active service an exclusion from base pay received after December 31, 1941, equal to the excess of \$3,500 over the personal exemption claimed by such member (and by his spouse if such member is married and living with his spouse on the last day of the taxable year, and such spouse is not entitled to the benefit of this allowance).

3. By June 15, 1943, require payment of at least one-half of proposed net income-tax liabilities (prior to remission of basic tax liabilities) on income of the calendar year 1942.

4. Withhold after June 30, 1943, from salaries and wages in excess of the withholding allowance (110 percent of the personal exemption and dependent credit) at a rate of 17 percent; and in addition withhold from salaries and wages in excess of an annual rate of \$624 at a rate of 3 percent, in lieu of the 5-percent Victory tax now withheld on salaries and wages.

5. In case gross income from sources other than salaries and wages can reasonably be

¹ Total taxable income for a calendar year is assumed to be distributed equally among the four quarters of the year. Calendar year 1944 income has not been forecast, but has been assumed to be the same as forecast for calendar year 1943.

expected to exceed \$100 for the current calendar year, require certain current payments to be applied toward basic tax liabilities and net Victory-tax liabilities not withheld at source.² Such current payments are equal to 20 percent of the excess of estimated net income over the larger of (a) estimated salaries and wages or (b) personal exemption plus dependent credit.

6. Require that any basic tax liabilities or net Victory-tax liabilities not paid currently be paid by March 15 of the following year.²

7. Require payments of "balance tax liabilities" (the excess of total net income-tax liabilities over liabilities for basic tax² equal to normal tax plus 13 percent of entire surtax net income) to be collected as under present law; namely, in the year following the calendar year in which the taxable income is received.

*In millions
of dollars*

Estimated income-tax liabilities due:
Last 6 months of fiscal year 1943..... 5,277.7
First 6 months of fiscal year 1944..... 5,102.5
Last 6 months of fiscal year 1944..... 7,920.3

Total, 18 months, Jan. 1,
1943-June 30, 1944..... 18,300.5
Calendar year 1943..... 10,380.2
Fiscal year 1944..... 13,022.8

Reconciliation of total income-tax
liabilities, 18 months, Jan. 1,
1943-June 30, 1944, with total
income-tax liabilities under
present law on incomes of the
calendar years 1942, 1943, and
1944—

Total tax liabilities, 18 months
period, Jan. 1, 1943-June 30,
1944..... 18,300.5

Amount withheld but not received
until after June 30, 1944 (3
months' withholding)..... 1,462.6

Proposed tax liabilities through
Dec. 31, 1944, not withheld or
paid through June 30, 1944:

Calendar year 1943
liabilities..... 1,375.6
Calendar year 1944
liabilities..... 8,902.3

Total..... 10,277.9

Reduction proposed in tax liabilities
of the armed forces on incomes
of the calendar years
1942, 1943, and 1944¹..... 1,967.7

Proposed calendar year 1942 basic
tax liabilities remitted in addition
to the special exclusion allowed
to the armed forces..... 7,237.9

Total tax liabilities under present
law on income of the 36-months'
period, Jan. 1, 1942-Dec. 31,
1944..... 39,246.6

Total tax liabilities under H. R.
2577 on income of the 36-
months' period, Jan. 1, 1942-
Dec. 31, 1944..... 30,041.0

¹ The loss with respect to tax liabilities on income of the calendar year 1944 should be somewhat greater, but has been assumed to be the same as on income of the calendar year 1943. Calendar year 1942 and calendar year 1943 net income tax liabilities are reduced by \$363,900,000 and \$670,100,000, respectively. Calendar year 1943 net Victory tax liabilities are reduced by \$131,800,000.

NOTE.—Figures are rounded and will not necessarily add to totals.

Source: Treasury Department, Division of Research and Statistics, May 5, 1943.

² The bill includes the net Victory tax liability of the calendar year 1943 and subsequent years as a part of basic tax liability. For convenience in estimating, net Victory tax liabilities are treated separately.

EXHIBIT 7

Estimated income-tax liabilities¹ due under H. R. 2570 as reported by the Committee on Ways and Means, April 24, 1943, which would—

1. Remit to all taxpayers the difference between the net income-tax liabilities on calendar year 1942 incomes as modified in provision (2) and such liabilities computed under a rate schedule applied to calendar year 1942 tax liabilities which approximates the yield derived by using the lower tax rates and the larger personal exemptions and dependent credit of the Revenue Act of 1941.

2. Allow any member of the armed forces in active service an exclusion from base pay received after December 31, 1941, equal to the excess of \$3,500 over the personal exemption claimed by such member (and by his spouse if such member is married and living with his spouse on the last day of the taxable year and such spouse is not entitled to the benefit of this allowance).

3. By June 15, 1943, require payment of at least one-half of proposed net income-tax liabilities on income of the calendar year 1942.

4. Withhold after June 30, 1943, from salaries and wages in excess of the withholding allowance (110 percent of the personal exemption and dependent credit) at a rate of 17 percent; and in addition withhold from salaries and wages in excess of an annual rate of \$624 at a rate of 3 percent, in lieu of the 5-percent Victory tax now withheld on salaries and wages.

5. Require the unremitted 1942 tax liabilities to be paid over a period of 3 years, one-third being due by March 15 of each of the years 1944, 1945, and 1946.

6. Allow a discount of 6 percent of the unremitted tax if paid in full by March 15, 1944, and a discount of 2 percent if paid in full by March 15, 1945.

7. Require that total proposed tax liabilities (including the net Victory tax) on incomes of the calendar year 1943 and subsequent years be paid currently. Quarterly payments are required on September 15 and December 15, 1943, to discharge such part of the proposed tax liabilities on income of the calendar year 1943 as is not withheld

¹ Total taxable income for a calendar year is assumed to be distributed equally among the 4 quarters of the year. Calendar year 1944 income has not been forecast, but has been assumed to be the same as forecast for calendar year 1943.

during calendar year 1943 or discharged by payments prior to June 15, 1943. Quarterly payments are required in subsequent years in such amounts that, together with the amounts withheld, tax liabilities will be paid currently.

[In millions of dollars]

	Maximum dis- count: taken	No dis- counts taken
Estimated income tax liabilities:		
Last 6 months of fiscal year 1943.....	5,277.7	5,277.7
First 6 months of fiscal year 1944.....	7,250.5	7,250.5
Last 6 months of fiscal year 1944.....	11,372.8	8,473.1
Total, 18 months, Jan. 1, 1943-June 30, 1944.....	23,901.0	21,001.3
Calendar year 1943.....	12,528.2	12,528.2
Fiscal year 1944.....	18,623.3	15,723.6
Reconciliation of total tax liabilities, 18 months, Jan. 1, 1943-June 30, 1944, with total tax liabilities under present law on incomes of the calendar years 1942, 1943, and 1944:		
Total tax liabilities, 18 months period, Jan. 1, 1943-June 30, 1944.....	23,901.0	21,001.3
Amount withheld but not received until after June 30, 1944 (3 months withholding).....	1,462.6	1,462.6
Proposed tax liabilities through Dec. 31, 1944, not withheld or paid through June 30, 1944.....	6,957.0	10,143.5
Reduction proposed in tax liabilities of the armed forces on incomes of the calendar years 1942, 1943, and 1944.....	1,967.7	1,967.7
Proposed calendar year 1942 net income-tax liabilities remitted.....	4,671.6	4,671.6
Discount allowed for prepayment of unremitted tax liabilities on calendar year 1942 income.....	286.8	-----
Total tax liabilities under present law on income of the calendar years 1942, 1943, and 1944.....	39,246.7	39,246.7
Total tax liabilities under H. R. 2570 on income of the calendar years 1942, 1943, and 1944.....	32,320.6	32,607.4

¹ The loss with respect to tax liabilities on income of the calendar year 1944 should be somewhat greater, but has been assumed to be the same as on income of the calendar year 1943.

NOTE.—Figures are rounded and will not necessarily add to totals.

Treasury Department, Division of Research and Statistics, Apr. 30, 1943.

EXHIBIT 8

Estimated receipts under present law¹

[In millions of dollars]

	Last 6 months of fiscal 1943	First 6 months of fiscal 1944	Last 6 months of fiscal 1944	Total, 18 months, Jan. 1, 1943-June 30, 1944
Net income-tax liability, calendar year 1942, in quarterly payments.....	4,907.6	4,907.6	-----	9,815.2
Net income-tax liability, calendar year 1943, in quarterly payments.....	-----	-----	5,994.6	5,994.6
Present law withholding.....	552.0	1,104.0	1,104.0	2,760.0
March 1944 adjustment:				
Net Victory-tax liability, calendar year 1943.....	\$2,726.5	-----	-----	-----
Total withholdings.....	\$2,208.0	-----	-----	-----
Withholdings in excess of net Victory-tax liability.....	740.0	-----	-----	-----
Withholdings offset against net Victory-tax liabilities.....	-----	1,468.0	-----	-----
Net Victory-tax liability of calendar year 1943 not paid in calendar year 1943.....	1,258.5	-----	-----	-----
Payment in first 6 months of calendar year 1944 of one-half of net Victory-tax liability of calendar year 1943 not paid in calendar year 1943.....	-----	-----	629.3	629.3
Refund to those having excess of Victory tax withholdings over sum of net income tax plus net Victory-tax liability.....	-----	-----	175.0	175.0

¹ Total taxable income for a calendar year is assumed to be distributed equally among the 4 quarters of the year. Calendar year 1944 income has not been forecast, but has been assumed to be the same as forecast for calendar year 1943.

Estimated receipts under present law—Continued

	Last 6 months of fiscal 1943	First 6 months of fiscal 1944	Last 6 months of fiscal 1944	Total 18 months Jan. 1, 1943-June 30, 1944
March 1944 adjustment—Continued.				
Excess of withholdings over net Victory tax liability which is offset against net income-tax liability on income of calendar year 1943.....			—565.0	—565.0
Total receipts.....	5,459.6	6,011.6	6,987.9	18,459.1
Reconciliation of total receipts, 18 months, Jan. 1, 1943-June 30, 1944, with total tax liabilities under present law on income of the calendar years 1942, 1943, and 1944:				
Victory tax withheld but not received in the first 6 months of calendar year 1944.....				552.0
Victory tax which will be withheld in last 6 months of calendar year 1944.....				1,104.0
Victory tax withholdings in excess of net Victory-tax liability for calendar year 1944.....				—740.0
Calendar year 1943 Victory-tax liability not received before July 1, 1944.....				629.3
Calendar year 1944 Victory-tax liability not due until 1945.....				1,258.5
Net income tax liability on calendar year 1943 income not received before July 1, 1944.....				5,994.6
Net income tax liability on calendar year 1944 income not due until 1945.....				11,989.2
Total.....				39,246.7

Treasury Department, Division of Research and Statistics, Mar. 25, 1943.

Mr. DOUGHTON. Mr. Speaker, I yield 3 minutes to the gentleman from Alabama [Mr. STEAGALL].

Mr. STEAGALL. Mr. Speaker, if this procedure proposed here today should be adopted, we should immediately amend the Constitution so that bills of this type may originate in the Senate. We have heard a lot in recent years about Members of Congress being rubber stamps, but I do not think there could be a more deplorable instance than for this House to "rubber stamp" Senate legislation of this type.

Mr. Speaker, we are going to face a stupendous task the best we can so when the war is over to discharge the obligations resting upon the Government of the United States with the multiplied billions of dollars we will owe and to maintain an orderly national economy. This proposal means—and it ought to be a warning to those who are responsible for the plan—the first step toward repudiation of the national debt, and it comes, not after the war, but while the war is on. If we are not willing to honor this obligation during the time of conflict and for the year that brought us the most enormous earnings and income in all our history, when will we be ready to pay?

Who knows how long we are to have such earnings and income; what becomes of our efforts to prevent inflation if we release all the billions of 1942 tax money with its vast inflationary pressure? If one of our boys at the battle front criticizes his superior officer he is court martialed. If he deserts, he may be shot. I do not say that anybody in this House is a deserter; I do not say that those represented by the advocates of the motion now before us are deserters but we are asked to withhold the financial support to which the Government is entitled and which is necessary to supply food and equipment for our soldiers who are fighting the war. Our boys are dying and risking their lives for us. If we fail in the discharge of the lesser responsibilities that rest upon us in the great struggle in which the perpetuity

of our institutions is involved, we prove ourselves unworthy of the heroic sacrifices that are being made for us. We ought not to do it. It cannot be defended. The patriotic people of this country will not stand for it when they understand it. When they have had more time to consider and to understand what is back of this, they will repudiate it.

Mr. ROBERTSON. Mr. Speaker, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. ROBERTSON. And as the Senator from Texas [Mr. CONNALLY], has pointed out in the Senate, is it necessary or desirable to forgive the millionaire \$854,000 in order to protect his chauffeur or clerk?

Mr. STEAGALL. No; and we ought not to forgive anybody at this time of national peril—

The SPEAKER. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Speaker, I yield 3 minutes to the gentleman from Washington [Mr. HORAN].

Mr. HORAN. Mr. Speaker, I have opposed all of the tax measures that have been voted on in this House. I felt and still feel that they were an inadequate expression on our part, on the home front, to be worthy of our boys on 40 fronts around the world. I feared that by indirection we were now making the same errors that we made following the First World War.

On the other hand, the feeling exists, and it is quite general, that many who now enjoy high incomes are escaping their full taxable share of paying for this damnable war. These citizens, of course, have to be made current, and I do not propose to stand further in the way of achieving that; but in accepting the pay-as-you-go feature, I want to protest against the other evils that I feel are inherent in this action. I feel that our struggles with these tax matters merely serve to point out the need for a wide and wise recognition of the mushrooming growth of local, State, and National tax duties and burdens of all of our

people. If we are ever to achieve fiscal security we will have to achieve that type of tax legislation which recognizes ability to pay, ease of collection, and which, by its width of assessment, promotes zealous economy. I yield back my time.

Mr. KNUTSON. Mr. Speaker, I yield 5 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Speaker, I should like at the outset to reply to the two arguments made by my distinguished chairman, the gentleman from North Carolina. I think it is fair to him to say that if his speech were boiled down we would find in it only two arguments. He would have you believe that there is much involved in this bill that is new and strange and different. I am sure that anyone who has studied this bill will agree with me that there is absolutely no new principle involved. Every principle involved is found in the Carlson bill and in other bills that this House has heretofore considered.

The next argument he used was that this is an unusual parliamentary proceeding that we are following in offering this motion. I wish you to know that this is the general and the usual proceeding. The fact of the matter is, it is the only proceeding that we could follow.

Let me proceed to reply to the argument made by my distinguished friend, the gentleman from Virginia [Mr. ROBERTSON]. He finds himself in a very peculiar position today. The bill that he fathered and fostered in this House was passed by this House. It was passed principally by Republican votes—I dare say that 90 percent of the votes received by the Robertson-Forand bill were cast by Republicans. But still we see him standing up here today advocating the same course as those who refused to vote for his bill and opposing the course advocated for those who voted for his bill. He will find that when this matter goes to the conference that he is so anxious about that there will not be a single conferee among the Democratic conferees who will support his bill.

Mr. ROBERTSON. The gentleman will be on that committee of conference, will he not?

Mr. JENKINS. I do not know, for that will be a matter for decision by the Speaker. I want to emphasize to the gentleman the position he stands in now. The four conferees on the Democratic side have at all times been unalterably opposed to the Robertson plan but the three on the Republican side have voted for the Robertson plan. It is strange that the gentleman should want to present the argument he did present today.

Let me stress this one fact. Up until today we, the Members of this House, have had our arguments between and among ourselves, and no other individuals were involved. Today, however, another branch of the legislative branch of our Government has come into play. That other branch is endowed with power equal to our branch as far as the passage of legislation is concerned. We, the House, initiated the bill as is our constitutional right and duty to do. We gave it much careful consideration in the

House and in the committee. In due course it went to the Senate and today we are considering what the Senate did. Henceforth this bill, as it wends its way is a creature of both branches of Congress.

Let us see what the Senate did while it had this tax matter under consideration. It considered almost every one of the several plans that we considered in the House. But before I consider them, let me mention the remarks of the last speaker, the gentleman from Alabama [Mr. STEAGALL]. He said there should be no forgiveness, and he was cheered lustily by the gentleman from Virginia [Mr. ROBERTSON]. Again this is strange on the part of the gentleman from Virginia [Mr. ROBERTSON], for his plan gives more forgiveness than any other plan except the pure Ruml plan. Was not that a strange situation? Now, let us see how the various plans were received in the Senate, and what the vote was.

Senator ELLENDER offered the plan that provided that there should be no abatement. That is the plan after Mr. DOUGHTON's own heart. How many votes did it get? It got 21 votes for and 57 against. This should be conclusive that the people want to pay their taxes currently and should like to have their back taxes abated. Let us consider the make-shift bill offered to the House for consideration by the Democratic Members of the Ways and Means Committee. You will recall that the House defeated that bill overwhelmingly. Senator CONNALLY presented that bill to the Senate. How much luck did he have with it? He got only 29 votes for it while there were 50 votes against it. It was more unpopular in the Senate than in the House.

What happened to Senator GEORGE's bill in the Senate? His bill provided for 75 percent forgiveness. The vote in the Senate was 32 for it and 50 against it. I cite this with especial emphasis. I want you to remember that the Senator George plan was defeated in the Senate by 50 to 32. Let us go on to the withholding tax alone—a straight-out withholding tax with no other provisions. That fared badly also. It was defeated by 29 for and 48 against. Senator O'DANIEL proposed the plan.

Senator BANKHEAD offered the Robertson plan and it fared worse than the other one. It got only 27 as against 52. I want to call this situation especially to the attention of the gentleman from Virginia [Mr. ROBERTSON] and the gentleman from Rhode Island [Mr. FORAND]. Their bill was ignominiously defeated in the Senate.

Let us see how the Carlson plan stood in the Senate. It must not be forgotten that the Carlson bill carried this House every time it had a fair chance free from the whip and lash of the New Deal administration. It then carried the House twice on a teller vote, only to lose by a close margin when the New Deal whip was cracked. In the Senate the straight-out Carlson plan got a vote of 48 to 31. This is a tremendous majority. This is the plan that has carried both Houses. No other plan has carried both Houses. It should therefore be recommended by the conferees.

The modified Carlson plan, with the additions and refinements which the Senate put on it, was the bill that was finally passed by the Senate. It was passed by a larger vote than any of the other bills. The final vote was 49 for and 30 against. Now, my colleagues, we have the situation of the House and Senate both passing a bill largely the same in substance. Therefore, if you are one who wants a pay-as-you-go tax bill, now is your time and chance to get it.

You gain nothing by trying to place the blame on someone else. The responsibility is yours, and now is your chance.

There is no doubt that the large majority of the people of the country are anxious to see Congress pass some kind of a tax bill. The people have been patient with Congress. They have waited for months while we have fiddled around with this tax program. The Ways and Means Committee and the House always had plenty of votes to defeat any measure, but it took many votes before it finally agreed. The House did the same. But the Senate acted quickly and decisively. Now the question is, Are we going to finish up this task by passing Mr. KNUTSON's resolution, or are we going to reject it and thereby put the bill into conference, from which nobody can reasonably guess what will be the outcome.

Mr. Speaker, this may be a political issue here in this House, but I assure you it is not a political issue with the people. There is no question that a very large majority of the people of the country favor some form of the Carlson-Ruml plan. But the Democratic and New Deal Members of the House have declined to pass it. The Senate is willing. If Mr. KNUTSON's motion carries, the tax problem will have been settled. If it fails, we are back where we were 6 months ago, and the Democrats and New Dealers must be held responsible. Those who have been demanding the passage of the Carlson-Ruml plan have a right to feel aggrieved, and they should not hold him guiltless who is responsible. Those who yield their conscience and their judgment to the whims of the President should be prepared to admit their inability to make up their own mind. Those who put party before the people cannot be held guiltless.

The SPEAKER. The time of the gentleman has expired.

(Mr. JENKINS asked and was given permission to revise and extend his remarks in the RECORD.)

A FURLOUGH FOR BIG INCOME TAXPAYERS

Mr. DOUGHTON. Mr. Speaker, I yield 2 minutes to the gentleman from Mississippi [Mr. RANKIN].

Mr. RANKIN. Mr. Speaker, the trouble is that there are too many people in America who look on this war as a joy ride. They do not include the soldiers, the small businessmen, or the hard-working farmers of this Nation.

But I did not think that, in addition to this joy ride, the Congress of the United States would grant a furlough of 1 year to the big taxpayers of the Nation, when they might just as well grant that fur-

lough of 1 year to every man in our armed forces.

Not only that, but you might as well grant a furlough of 1 year to the farmers of this country. If this motion is adopted, and this measure becomes a law, it will forgive the big income taxpayers of this Nation almost twice as much as all of the wheat, all of the corn, and all of the cotton produced in America this year will bring. You might just as well give the farmers of this country a furlough for 1 year and pay them for the crops they did not make. Besides, as the gentleman from Tennessee [Mr. COOPER] pointed out, you are giving some of these big income taxpayers a furlough for 6 years, or giving them back taxes to that amount.

You may say that we could not give the soldiers a furlough, because they have to fight the war. But who is going to finance it? You are endeavoring to give the big taxpayers a furlough of 1 year, and pretending that they will pay it in the future. You do not know where some of them will be next year, or the year after next. When they get this rake-off, they may migrate to one of those countries that have no income taxes.

Mr. MAY. Mr. Speaker, will the gentleman yield?

Mr. RANKIN. Yes, briefly.

Mr. MAY. Our records and findings in the Military Affairs Committee show that last year is when they made the biggest profits.

Mr. RANKIN. That is correct.

Oh, Mr. Speaker, this proposition did not come from the toiling farmers. They get no benefit from it. It does not come from the industrial laborers. It did not come from the men in our armed forces. It came from those men in the higher income-tax brackets who can pay for this propaganda and can promise big campaign contributions.

If this bill passes and the President does not veto it, I shall be greatly disappointed.

The SPEAKER. The time of the gentleman from Mississippi has expired.

Mr. DOUGHTON. Mr. Speaker, I yield the remainder of my time to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Speaker, the interesting thing about the motion offered by our Republican friends is the fact that if adopted, it constitutes an abdication on the part of the House of Representatives to the Senate of its constitutional duty and responsibility of initiating tax legislation. We hear our Republican friends talking daily about bureaucracy. We hear them talking about abdication by the Congress, and yet here they are offering a motion today that constitutes, so far as the House of Representatives is concerned, on this constitutional question, an abdication to the Senate of the United States of the responsibility and the duties of the House of Representatives.

One of the Republican speakers made the argument that three of the Democratic conferees on the part of the House will be against the Robertson-Forand plan. Without regard to what their per-

sonal views might be, every one of us knows that when the House conferees on both sides go into a conference, Republicans and Democrats, they are going to vote for the House position and do their best to have the House bill accepted. I think that answers clearly the argument made by the gentleman from Ohio [Mr. JENKINS].

Various Members have made arguments as to the unjustness of this legislation. I am not going to enter into that argument today. I have referred to it in speeches that I made when this bill was pending in the House on two occasions previously, but I call the attention of the House to a bill that I consider to be a companion bill to the Ruml plan, namely, H. R. 2698, which was dropped into the hopper last Wednesday by the gentleman from Michigan [Mr. JONKMAN], a Republican Member of the House of Representatives. It is a bill entitled "To repeal section 403 of the Sixth Supplemental National Defense Appropriation Act 1942, as amended, relating to renegotiation of war contracts, and to promote the national war effort." Its author indicates that there was no need of a renegotiation, upon the specious theory that 90 percent of excess profits are supposed to be put into the Treasury by way of income taxes.

Enacting of the pending Ruml plan, forgiving vast sums of income taxes, plus the repeal of the present law providing for the recapture of unjustified and excessive profits on war contracts certainly points to a concerted movement to protect the huge profits made by some persons during this war. The Ruml plan takes care of the individual taxpayer, who has had huge incomes. The Jonkman bill takes care of corporations who have made huge incomes out of the war. It certainly is difficult to understand wherein repeal of the renegotiation law will promote the national war effort, as set out in the bill's title, and neither will such legislation aid small businessmen as some might argue since renegotiations apply only to contracts of \$100,000 and over. Already renegotiations has resulted in refund (voluntary return of excessive profits) and reductions arranged by the Price Adjustment Boards of the War, Navy, and Maritime Commission in an amount of over two and a half billion dollars (\$2,539,000,000). This is only a small part of the billions still to be recaptured by the action of the above-mentioned boards as well as those recently created by the Treasury Department's Procurement Section, and the War Shipping Administration. Almost 10,000 contractors are holding Army-Navy and maritime contracts. Of this number 1,478 have had renegotiation action completed, with 5,647 in process of renegotiation.

The Committee on Military Affairs, under the able leadership of the distinguished gentleman from Kentucky [Mr. MAY] has done a great job, and the Naval Affairs Committee, under the leadership of the distinguished gentleman from Georgia [Mr. VINSON] has done a great

job in exposing these huge war contracts and the tremendous profits made therefrom. The Ruml plan now takes care of individuals who have made immense individual incomes out of war contracts, and it is now proposed by this companion bill, the Jonkman bill, to take care of the corporations. The movement is exposed. Let us send this bill to conference. Let us do the orderly thing, and let the conferees in the manner provided by the rules work out a bill and bring back a fair bill that will put in operation in an effective and reasonable manner, pay-as-you-go legislation that the people of the country want.

Mr. KNUTSON. Mr. Speaker, I yield the remainder of my time to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to extend and revise my remarks and include certain tables.

The SPEAKER. Is there objection? There was no objection.

Mr. REED of New York. Mr. Speaker, if I may have the attention of the House for the very few minutes allotted to me I shall appreciate it. We might reflect that just 156 years ago this month a convention met in Philadelphia in Independence Hall. Fifty-five fearless and courageous men decided that they were going to frame a government that would work, and it has worked for more than a century and a half. This is what they said:

By the Constitution of the United States, money bills originate in the House of Representatives. The reason is that as that House are more numerous than the other, and its Members are elected more frequently, the most local and recent information of the circumstances of the people may be found there. But, as the Senate derive their authority ultimately from the same origin with the other House, they have a right to propose and concur in amendments in these as well as in other bills.

That is precisely what has been done in this case. We have heard a great deal about the terrible sin of abatement of taxes. Anything to befog the issue. The issue is that the American people want to become current in their taxes, and they know it will be disastrous to their war effort unless they do become current. What about this so-called sin of abating taxes? The House bill that they want us to take in place of the Senate proposal abates 75 percent of the taxes, and still it does not make the taxpayers current. Why not do the job in the open, manly, American way?

The distinguished chairman said there had been no hearings on this proposition of the Senate. I reply to him that there has been a hearing in every one of 44,000,000 homes from which this revenue must flow. The taxpayers know the provisions in this bill. The vote in the Senate reflects the will of the American people, and they are sovereign.

I say there is presented at this time a very fundamental issue that must not be overlooked. What further did those 55 men say in convention when they organ-

ized our Republic under our Constitution?

The power of conferring nobility is a source of influence which the Crown possesses over the House of Commons, as well as over the House of Lords. A coronet and all the proud preeminences and gilded glories which encircle a coronet are objects of ambition, whose tempting charms few—very few, indeed—are capable of resisting. Even the great commoner wishes and sighs to be something more. Will not his views be directed to that power by which alone his wishes can be gratified? Will not his conduct receive a bias from the longing, expecting turn of his mind? When his towering hopes of elevation are suspended on the crown, will he easily run the risk of seeing them dashed to the ground by speaking and voting and acting in opposition to its views and measures?

We are now arrived, in our progress, at another fountain, from which, in Great Britain, the waters of bitterness have plentifully flowed—I mean the fountain of office. We reprehend not the nature of this power, nor the place, where, by the British Constitution, it is deposited. In every government there must be such a power, and it is proper that it should be lodged in the hands of him who is placed at the head of the executive department. What we censure is that this power is not circumscribed by the necessary limitations. It may be—it is—exercised in favor of the members of both houses of Parliament. Offices of trust and profit are scattered, with a lavish hand, among those by whom a return, very dangerous to the liberties of the nation, may be made, and from whom such a return is but too often expected.

That was the evil they were fighting against in that day. It is the same evil of executive influence which hampers free government here and now. We have an opportunity as Americans today to establish the independence of this legislative body. That is what the people want. They want to recapture their powers. They want to write the laws of this Nation through their chosen representatives, and they are asking to be made current in the only way it is possible to do it, which is by the votes of uncoerced representatives.

The fact is this: The American people will pay every dollar of taxes—earn every dollar of taxes—to finance this war. They want the home front sound and they will keep it sound. They will supply the money. We are not supplying it. They are supplying it with their toil on the home front.

Now, what is the situation? You load your soldiers down a little at a time until they can carry a large load and fight effectively. The home front wants the same treatment. In 1940 their tax load was \$5,387,000,000; in 1941 it was \$7,607,000,000; in 1942 it was \$12,799,000,000 plus; in 1943 it was \$22,976,000,000; in 1944, \$33,081,000,000 plus; plus \$16,000,000,000 additional taxes required by the President in his last Budget message and \$10,000,000,000 of State and local taxes, which, all told, makes a total tax load for the people to bear within a short period of time amounting to \$59,081,000,000. They cannot carry such a load unless you give them a fair opportunity to become current. This motion must be carried in order to give them an opportunity.

*The New Deal fiscal record*¹

Fiscal year ending June 30—	Net receipts ²	Net expenditures ³	Net deficit	Gross public debt
1933	\$2,080,000,000	\$3,864,000,000	\$1,784,000,000	\$22,539,000,000
1934	3,116,000,000	6,011,000,000	2,896,000,000	27,053,000,000
1935	3,800,000,000	7,010,000,000	3,209,000,000	28,701,000,000
1936	4,116,000,000	8,666,000,000	4,550,000,000	33,779,000,000
1937	5,029,000,000	8,177,000,000	3,149,000,000	36,425,000,000
1938	5,855,000,000	7,239,000,000	1,384,000,000	37,165,000,000
1939	5,165,000,000	8,707,000,000	3,542,000,000	40,440,000,000
1940	5,387,000,000	8,998,000,000	3,611,000,000	42,968,000,000
1941	7,607,000,000	12,711,000,000	5,103,000,000	48,961,000,000
1942	12,799,000,000	32,397,000,000	19,598,000,000	72,422,000,000
1943 (estimated)	22,976,000,000	80,437,000,000	57,461,000,000	134,830,000,000
1944 (estimated)	33,081,000,000	104,129,000,000	71,048,000,000	210,549,000,000

¹ Figures on receipts and expenditures and on public debt through 1942 taken from annual report of the Secretary of the Treasury. Figures for 1943 and 1944 are Budget estimates.

² Excluding pay-roll taxes for old-age insurance, from 1937 on.

³ Exclusive of debt retirement.

The SPEAKER. The time of the gentleman from New York has expired. All time has expired.

Mr. COOPER. Mr. Speaker, I move the previous question on the motion.

The previous question was ordered.

The SPEAKER. The question is on the motion submitted by the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

Mr. KNUTSON. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. KNUTSON. As I understand it, a vote "aye" is to pass the resolution and a vote "no" is against it. Is that right?

The SPEAKER. That would be presumed to be true.

Those in favor of the motion of the gentleman from Minnesota to instruct the conferees will, when the names are called, vote "aye"; those opposed, "no."

The question was taken; and there were—yeas 194, nays 202, answered "present" 4, not voting 32, as follows:

[Roll No. 75]

YEAS—194

Allen, Ill.	Curtis	Harness, Ind.
Andresen,	Day	Hartley
August H.	Dewey	Heldinger
Andrews	Dirksen	Herter
Angell	Ditter	Hess
Arends	Dondero	Hill
Arnold	Douglas	Hoeven
Auchincloss	Dworshak	Hoffman
Baldwin, N. Y.	Eaton	Holmes, Mass.
Barrett	Ellis	Holmes, Wash.
Barry	Ellison, Md.	Hope
Bates, Mass.	Ellsworth	Horan
Beall	Elmer	Howell
Bender	Elston, Ohio	Jeffrey
Bennett, Mich.	Engel	Jenkins
Bennett, Mo.	Fellows	Jennings
Bishop	Fenton	Jensen
Blackney	Fish	Johnson,
Bolton	Gale	Anton J.
Bradley, Mich.	Gallagher	Johnson,
Brehm	Gamble	Calvin D.
Brown, Ohio	Gavin	Johnson, Ind.
Buffett	Gerlach	Johnson, Ward
Busbey	Gifford	Jones
Butler	Gilchrist	Jonkman
Canfield	Gillette	Kean
Cannon, Fla.	Gillie	Kearney
Carlson, Kans.	Goodwin	Keefe
Carson, Ohio	Graham	Kilburn
Carter	Grant, Ind.	Kinzer
Case	Griffiths	Knutson
Chenoweth	Gross	Lambertson
Chiperfield	Guyer	Landis
Church	Gwynne	LeCompte
Clason	Hale	LeFevre
Clevenger	Hall	Lewis, Ohio
Cole, Mo.	Edwin Arthur	Ludlow
Cole, N. Y.	Hall	McCowan
Compton	Leonard W.	McGregor
Cravens	Halleck	McKenzie
Cunningham	Hancock	McLean

McWilliams	Pracht	Stevenson
Maas	Ramey	Stockman
Martin, Iowa	Reece, Tenn.	Sundstrom
Martin, Mass.	Reed, Ill.	Taber
Mason	Reed, N. Y.	Talbot
Merrow	Rees, Kans.	Talle
Michener	Rizley	Taylor
Miller, Conn.	Robison, Ky.	Tibbott
Miller, Mo.	Rockwell	Towe
Miller, Nebr.	Rodgers, Pa.	Treadway
Miller, Pa.	Rogers, Mass.	Troutman
Monkiewicz	Rohrbough	Van Zandt
Morrison, La.	Rowe	Vorys, Ohio
Mott	Schiffler	Vursell
Mruk	Schwabe	Wadsworth
Mundt	Scott	Welch, Ohio
Murray, Wis.	Shafer	Wheat
Norman	Short	Wigglesworth
O'Brien, N. Y.	Simpson, Ill.	Willey
O'Hara	Simpson, Pa.	Wilson
Phillips	Smith, Ohio	Winter
Ploeser	Smith, Wis.	Wolcott
Plumley	Springer	Wolfenden, Pa.
Poulson	Stanley	Wolverton, N. J.
Powers	Stearns, N. H.	
	Stefan	

NAYS—202

Abernethy	Fay	Lanham
Allen, La.	Feighan	Larcade
Andersen,	Fernandez	Lemke
H. Carl	Fisher	Lesinski
Anderson,	Fitzpatrick	Lynch
N. Mex.	Flannagan	McCord
Baldwin, Md.	Folger	McCormack
Barden	Forand	McGehee
Bates, Ky.	Ford	McMillan
Beckworth	Fulbright	McMurray
Bell	Fulmer	Madden
Bland	Furlong	Mahon
Bonner	Gathings	Maloney
Boren	Gavagan	Manasco
Bradley, Pa.	Gearhart	Mansfield,
Brooks	Gibson	Mont.
Brown, Ga.	Gordon	Mansfield, Tex.
Bryson	Gore	Marcantonio
Buckley	Gorski	May
Bulwinkle	Gossett	Merritt
Burch, Va.	Grant, Ala.	Mills
Burchill, N. Y.	Green	Monroney
Burdick	Gregory	Morrison, N. C.
Burgin	Hare	Murdock
Byrne	Harless, Ariz.	Murphy
Camp	Harris, Ark.	Murray, Tenn.
Cannon, Mo.	Harris, Va.	Myers
Capozzoli	Hart	Newsome
Caylor	Hays	Nichols
Chapman	Hebert	Norrell
Coffee	Heffernan	O'Brien, Ill.
Collier	Hendricks	O'Brien, Mich.
Cooley	Hobbs	O'Connor
Cooper	Hoch	O'Konski
Courtney	Holifield	O'Neal
Cox	Hull	Outland
Crawford	Jackson	Pace
Creal	Jarman	Patman
Crosser	Johnson,	Patton
Cullen	Luther A.	Peterson, Fla.
Curley	Johnson,	Peterson, Ga.
D'Alesandro	Lyndon B.	Pfeifer
Davis	Johnson, Okla.	Pittenger
Dawson	Kee	Poage
Delaney	Kefauver	Price
Dickstein	Kelley	Priest
Dilweg	Kennedy	Rabaut
Dingell	Keogh	Ramspeck
Disney	Kerr	Randolph
Domenegeaux	Kilday	Rankin
Doughton	Kirwan	Richards
Drewry	Klein	Rivers
Durham	LaFollette	Robertson
Eberharter	Lane	Robinson, Utah

Rogers, Calif.	Snyder	Voorhis, Calif.
Rowan	Somers, N. Y.	Walter
Russell	Spaulman	Ward
Sadowski	Spence	Wasielewski
Sasscer	Starnes, Ala.	Weaver
Satterfield	Steagall	Weiss
Sauthoff	Stewart	Wene
Scanlon	Sullivan	West
Schuetz	Summer, Ill.	Whitten
Schepard	Summers, Tex.	Whittington
Sheridan	Tarver	Wickersham
Sikes	Thomas, Tex.	Winstead
Slaughter	Thomason	Woodrum, Va.
Smith, Va.	Tolap	Wright
Smith, W. Va.	Vincent, Ky.	Zimmerman

ANSWERED "PRESENT"—4

Johnson,	Kleberg	O'Leary
J. Leroy	Kunkel	

NOT VOTING—32

Anderson, Calif.	Hagen	Rolph
Bloom	Hinshaw	Sabath
Boykin	Izac	Smith, Maine
Clark	Judd	Thomas, N. J.
Cochran	King	Vinson, Ga.
Costello	Lea	Welch
Culkin	Luce	Whelchel, Ga.
Dies	McGranery	White
Elliott	Magnuson	Woodruff, Mich.
Fogarty	Norton	Worley
Granger	O'Toole	

So the motion was rejected.

The Clerk announced the following pairs:

Mr. Anderson of California for, with Mr.

Fogarty against.

Mr. Smith of Maine for, with Mr. Izac against.

Mr. Rolph for, with Mr. Costello against.

Mr. Boykin for, with Mr. Vinson of Georgia against.

Mr. Magnuson for, with Mrs. Luce against.

Mr. Culkin for, with Mr. Kunkel against.

Mr. Thomas of New Jersey for, with Mr. Dies against.

Mr. Judd for, with Mr. Johnson, J. Leroy against.

Mr. O'Leary for, with Mrs. Norton against.

Mr. Kleberg for, with Mr. Worley against.

Mr. Woodruff of Michigan for, with Mr. McGranery against.

General pairs:

Mr. Bloom with Mr. Hinshaw.

Mr. Cochran with Mr. Welch.

Mr. O'Toole with Mr. Hagen.

Mr. COLMER. Mr. Speaker, how am I recorded?

The SPEAKER. The gentleman from Mississippi is recorded as voting "aye."

Mr. COLMER. It is an error, Mr. Speaker; I voted "no."

The SPEAKER. The gentleman from Mississippi changes his vote from "aye" to "no."

Mr. KLEBERG. Mr. Speaker, I have a pair with my colleague the gentleman from Texas [Mr. WORLEY]. Were he present he would have voted "no." I therefore change my vote from "aye" to "present."

Mr. BLOOM. Mr. Speaker, I entered the Chamber as my name was called. I wish to qualify and vote "no."

The SPEAKER. Was the gentleman from New York in the Hall listening and failed to hear his name?

Mr. BLOOM. I came in just as my name was called. I did not know what the vote was on.

Mr. MARTIN of Massachusetts. Mr. Speaker, did the gentleman say he was in the Hall?

Mr. BLOOM. Yes; I said I came in just about when my name was called.

Mr. MARTIN of Massachusetts. Just about; that does not qualify.

Mr. KNUTSON. The gentleman was not here but rushed in after his name was called.

The SPEAKER. Does the gentleman from New York state that he was in the Hall listening and failed to hear his name called? Otherwise he does not qualify.

Mr. BLOOM. No.

The SPEAKER. The gentleman does not qualify.

Mr. HAGEN. Mr. Speaker, I was here but was talking and did not hear my name called until too late to answer. I think I qualify.

The SPEAKER. Was the gentleman in the Hall?

Mr. HAGEN. I was and I wish to vote "aye."

The SPEAKER. Was the gentleman in the Hall listening when his name was called and failed to hear it?

Mr. HAGEN. I was talking; I did not hear.

The SPEAKER. The Chair must hold, as the Chair held in the case of the gentleman from New York who said his name was called as he came in, that the gentleman does not qualify.

Mr. MARTIN of Massachusetts. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MARTIN of Massachusetts. The gentleman from Minnesota said he was in the Hall listening but did not hear his name called.

The SPEAKER. The gentleman from Minnesota said he was in the Hall when his name was called but that he was talking. The Chair propounded the question: "Was the gentleman in the Hall listening when his name was called and failed to hear it?" And the gentleman did not say he was.

Mr. MARTIN of Massachusetts. Mr. Speaker, we are setting the precedent that even though a Member is sitting in the Hall listening for the roll call but does not happen to hear his name he is disqualified.

The SPEAKER. The rule is that the Member must qualify that he was in the Hall listening and failed to hear his name called on the supposition that the Clerk failed to call his name.

Mr. CANNON of Missouri. Mr. Speaker, I rise to a point of order.

The SPEAKER. If the gentleman rises to a point of order the Chair will let him state the point of order.

Mr. CANNON of Missouri. There are three things, Mr. Speaker, that are essential in order to qualify a Member to vote after the conclusion of the roll call: First, the gentleman must have been in the Hall; second, he must have been listening; and third, he must not have heard his name called. If he was not in the Hall he does not qualify; if he was not listening he does not qualify; and if he heard his name called and did not answer he does not qualify.

The SPEAKER. The Chair has ruled on two-thirds of that proposition.

Mr. HENDRICKS changed his vote from "yea" to "nay."

Mr. KUNKEL. Mr. Speaker, I voted "nay." I have a live pair with the gentleman from New York, therefore I withdraw my vote and vote "present."

Mr. J. LEROY JOHNSON. Mr. Speaker, I voted "nay." I have a live pair with the gentleman from Minnesota [Mr. Judd]. I would like my vote changed to "present."

Mr. O'LEARY. Mr. Speaker, I entered into an active pair with the gentlewoman from New Jersey [Mrs. Norton]. If present she would have voted "nay." I withdraw my vote and vote "present."

Mr. BATES of Kentucky changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

On motion of Mr. COOPER, a motion to reconsider the vote by which the motion was rejected was laid on the table.

The SPEAKER appointed the following conferees on the part of the House: Messrs. DOUGHTON, COOPER, DISNEY, DINGELL, KNUTSON, REED of New York, and JENKINS.

URGENT DEFICIENCY APPROPRIATIONS, 1943

Mr. CANNON of Missouri. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 2714) making appropriations to supply urgent deficiency appropriations for the fiscal year ending June 30, 1943, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 2714, with Mr. PATMAN in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. The order of business is, there are 2 hours' general debate, 1 hour to be controlled by the gentleman from Missouri [Mr. CANNON], and the other hour to be controlled by the gentleman from New York [Mr. TABER] on the pending amendment.

Mr. CANNON of Missouri. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. CANNON of Missouri. It is my understanding that at the end of those 2 hours a vote will be taken on the amendment and all amendments thereto?

The CHAIRMAN. The gentleman has correctly stated the proposition.

Mr. CELLER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. Does the gentleman from Missouri yield for a parliamentary inquiry?

Mr. CANNON of Missouri. I yield.

The CHAIRMAN. The gentleman from New York will state the parliamentary inquiry.

Mr. CELLER. Mr. Chairman, there was so much confusion in the chamber we did not hear exactly what the retort was to the inquiry, whether or not the 2 hours would be confined to the amendment offered by the Kerr committee and all amendments thereto, or just to the amendment offered by the Kerr committee.

The CHAIRMAN. The vote is to be taken at the end of 2 hours' debate on the amendment and all amendments thereto.

Mr. CANNON of Missouri. Mr. Chairman, the committee will recall that in February, during consideration of an appropriation bill, a situation arose on the floor in which the House—almost by concert and with practical unanimity—proposed to summarily arraign, try, condemn, and execute, without benefit of clergy or legal process, certain Federal employees charged with subversive activities.

Those charged were to be given no opportunity to be heard. They were to be tried without notice on hearsay and rumor and by what practically amounted to mob action.

In that crisis, by agreement and direction of the leadership on both sides of the aisle and both ranking members of the committee in charge of the bill, I submitted to the House a resolution providing for the appointment of a subcommittee to investigate the charges, hear testimony, give accused opportunity to be heard, and thereupon, in due time, to bring the result of its deliberation before the House.

The resolution was agreed to unanimously and when I appointed the subcommittee, after consultation with the ranking minority member of the Appropriations Committee, the gentleman from New York [Mr. TABER], I selected five of the ablest members of that committee whom I consider to be five of the ablest Members of the House, every one of them experienced men who have the confidence of the House; men of exceptional probity, ability, and fairness. The chairman of the committee had had many years' experience as an attorney and had served for many years on the bench and, indicating his impartiality, had voted twice against continuation of the Dies committee, in which committee the charges had originated. That committee has been in session ever since.

It has heard full testimony, has given all those against whom charges were brought an opportunity to have their day in court. The subcommittee has made a report of its findings which has been offered by the Committee on Appropriations and is now available to the Members of the House.

Mr. CELLER. Mr. Chairman, will the gentleman yield at that point?

Mr. CANNON of Missouri. If the gentleman wishes to submit a question as to the report, may I suggest that he reserve it for the chairman of the subcommittee, the gentleman from North Carolina [Mr. KERR], who will now take the floor.

Does the gentleman from New York care to take time before the chairman of the subcommittee is recognized?

Mr. TABER. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, after things came to an impasse in the House last February, the resolution introduced by the gentleman from Missouri [Mr. CANNON], H. R. 105 was adopted as a result of which this subcommittee was appointed for the purpose of going into the charges that had been and might be submitted by the Dies Committee against different individuals in the employ of the Government. That the Congress has the absolute power to say that any man shall not be

on the pay roll of the Government is beyond question. These people are charged with being unfit to be on the pay roll of the United States. This committee was named by the chairman, after consultation with me, and I say to you that the men selected were the very best we could find for that purpose—of open and judicial mind. In my own opinion they are five of the very ablest, finest, and keenest Members of the House of Representatives.

Before they started the hearings they were told by the chairman and by me that they were expected to go over the evidence, give these people a fair hearing, and render judgment accordingly, which should be sent to the full committee and later to the House.

The CHAIRMAN. The time of the gentleman has expired.

Mr. TABER. I yield myself one additional minute.

Some of these men on the committee started off with a complex in favor of those that were accused, but all of them with an open mind. When they were through they agreed unanimously that these three names that are presented here should go off the pay roll of the United States Government. For my own part I can do nothing but support wholeheartedly and down the line the judgment of that committee, because I know that it is honest, I know that they have leaned over backward in trying to be fair to these people and there is nothing of a prejudicial character about the verdict.

I am going to yield to the members of that committee, on this side, so far as I can, so that the House may have the complete facts of these cases.

Mr. CANNON of Missouri. Mr. Chairman—

Mr. MARCANTONIO. Mr. Chairman, will the gentleman yield?

Mr. CANNON of Missouri. I yield to the gentleman from New York.

Mr. MARCANTONIO. As I understand, the chairman of the committee and the ranking minority member, have stated they will yield all their time to members of the Kerr committee, all of whom have signed this report, and I assume all of whom support this report. Does that mean that those who are opposed to this amendment will be deprived of every bit of time and will have no opportunity to make a statement in opposition to the amendment?

Mr. CANNON of Missouri. My statement was that I would yield first to the members of the subcommittee, as provided under the rules of the House, and after they have been allotted time it is my intention to yield to the gentleman from New York and to other Members of the House who are opposed to the resolution.

Mr. Chairman, I yield to the chairman of the subcommittee, the gentleman from North Carolina, Judge KERR, 15 minutes.

Mr. KERR. Mr. Chairman, I cannot neglect to thank the distinguished chairman of the Appropriations Committee and the distinguished ranking Member of the minority side for their complimentary remarks concerning the work of this committee.

Pursuant to House Resolution 105, which has been referred to here, five members of the Appropriations Committee were authorized by this House to investigate certain charges that have been made with reference to certain employees of this Government and to report their findings, first to the whole Committee on Appropriations, and then the whole committee to report its findings to the House.

I do not hesitate to say that this committee has been conscientious and diligent in its endeavor to do the duty assigned to it and to do that duty well. It has not been a pleasant duty; in fact, frankly, it has been an unpleasant duty. It involved the consideration of a large amount of evidence, much more than this House thinks. It involved the consideration of the probity of that evidence, the weight of the evidence, and other things which had to be taken into consideration by the committee in respect to this important matter.

We discovered after organization the fact that there had never been declared judicially or by any legislative body what constituted subversive activities in respect to this Government. Subvert means to turn over, and the committee, in order to have something to go by, undertook to write what it thought constituted subversive activities in respect to the overthrow of this Government.

I may say that the committee fully understood the seriousness of this matter. It understands how serious it is to remove a man from his office and understands that a stigma may be placed upon him when that act is done. I think the committee fully understands the implications involved in one branch of the Government in attempting to remove an employee of another branch. Those things we took into consideration and those things we attempted to handle justly and properly in the light of the evidence in this matter.

You must understand that your subcommittee was not employed to remove anybody from office. We were not delegated to remove anybody from office. This House simply requested this committee to examine the facts and the charges made against various people here who had been charged with activity which was subversive of our form of government and which had for its purpose its overthrow and destruction. The Committee on Appropriations is not undertaking to remove anybody from office. The House Committee on Appropriations is simply bringing here to this Congress and giving you the facts as it has found them, saying to you, "Gentlemen, these are the facts. The duty devolves upon you now to say whether or not these men named in the amendment are fitted to be employees of the United States Government."

The wording of resolution 105 was that the subcommittee should investigate the matter referred to it and make a report to this Congress through the whole committee, and submit recommendations. That is what it has undertaken to do. It becomes the duty of the House then to say whether certain employees of the Government by reason of their

association—and I read the words of the resolution—"by reason of their present association or membership or past association or membership in or with organizations whose aims or purposes are or have been subversive to the Government of the United States," are fitted for service in this Government.

That is what you have to find, that is what this House has to find, that is what the representatives of the people of this country have to find. This House speaks for the people. You are to determine whether or not the people of this country want certain men who are guilty of association with organizations and who are members of organizations in this country whose purpose and object is subversive to the institutions of this Government and who are willing to associate and organize with those whose purpose it is to overthrow it, to hold positions of responsibility in this Government.

I contend that the proposition before the House is an elementary one. It does not involve the question of impeaching anybody. Under any judicial act of our country, it is simply a question of whether or not the people of this country want men who are not in sympathy with the institutions of this country to run it. You can impeach a public official in this country for high crimes and misdemeanor or for malfeasance or misfeasance in office. The question involved in this determination and in this inquiry does not involve a consideration of that kind at all. I repeat what it is. It involves the question of whether the people of this country want men who are not in sympathy with this form of government and philosophy of life to run the affairs of this Nation and to be employees of it.

The men who founded this Nation of ours placed in the hands of this Congress, placed in the hands of its Representatives, the purse strings of this Nation, reserving the right the Commons had under the old English laws, when they built the great British Empire. The English people were able to get justice and consideration and extend the power and the glory of that great Empire, because the Commons of that great nation held the purse strings, and they were not afraid of the man who held the sword as long as they held the purse strings.

The people of this country have never seen fit to remove the right from this Congress and from its Representatives to hold the purse strings of this Nation. To say that they do not have that right is so elementary from a legal or any other point of view that it does not need any discussion.

This Congress has the right to say to whom the people's money shall be paid. Congress will not be denied and should never be denied that right. The question involved here is one that simply involves that proposition and that statement.

The employees named in the amendment have been reported as being connected with organizations or having been members of organizations or of making statements which appeared to be subversive of our form of government.





local offices. I am glad the gentleman brought that up; that is one of the criticisms I have had of O. P. A. and W. P. B. They say they are trying to correct that. I hope they do. They should delegate more power to these regional, State, and district officers so they can adjust these things locally, but those little things which stick out like a sore thumb are the exceptions and not the general rule. I remember one instance that was brought to the attention of our committee, the case of a small concern that could have done a lot with certain materials that were being burned in an Army camp. Why, they just piled up a lot of fine lumber and burned it! It sounded horrible, and I do not condone any such waste; it is wrong; but you know there are always rules and regulations that have been built up over a period of time which in unusual times will not work and are not practicable and should not be used, but it takes a little time to readjust them. Railroad companies right down there in our country, in east Texas, instruct their section foremen that when they pull ties out from under tracks and replace them the old ties which could be used for many purposes by nearby farmers who would like to buy them, that those ties must be piled up and burned. They adopted this rule to keep down the possibility or opportunity for graft or unusual waste. Corporations have had such rules as long as we have had corporations, and they were the right kind of rules in normal times, but often rules good in normal times are not good in time of war.

The SPEAKER pro tempore. The time of the gentleman from Texas has expired.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. DILWEG, of Wisconsin, for 1 week, on account of death in the family.

EXTENSION OF REMARKS

Mr. GORE. Mr. Speaker, I ask unanimous consent that my colleague the gentleman from California, Mr. CECIL R. KING, be permitted to revise and extend his own remarks by inserting an address he made over the radio on Friday.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

(Mr. BROOKS asked and was given permission to revise and extend his own remarks.)

REPORT ON TAX BILL

Mr. DOUGHTON submitted the following conference report and statement:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"That (a) this Act may be cited as the 'Current Tax Payment Act of 1943.'

"(b) Meaning of terms used: Except as otherwise expressly provided, terms used in this Act shall have the same meaning as when used in the Internal Revenue Code.

"Sec. 2. Collection of tax at source on wages.

"(a) In general: Chapter 9 of the Internal Revenue Code (relating to employment taxes) is amended by inserting at the end thereof the following new subchapters:

"SUBCHAPTER D—COLLECTION OF INCOME TAX AT SOURCE ON WAGES

"SEC. 1621. Definitions.

"As used in this subchapter—

"(a) Wages: The term "wages" means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid—

"(1) for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay includible in gross income under chapter 1, or

"(2) for agricultural labor (as defined in section 1426 (h)), or

"(3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, or

"(4) for casual labor not in the course of the employer's trade or business, or

"(5) for services by a citizen or resident of the United States for a foreign government or for the government of the Commonwealth of the Philippines, or

"(6) for services performed by a nonresident alien individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals, or

"(7) for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary, or

"(8) for services for an employer performed by a citizen or resident of the United States while outside the United States (as defined in section 3797 (a) (9)) if the major part of the services for such employer during the calendar year is to be performed outside the United States, or

"(9) for services performed as a minister of the gospel.

For the purpose of paragraph (8) services performed on or in connection with an American vessel (as defined in section 1426 (g)) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration, shall not constitute services performed outside the United States.

"(b) Payroll period: The term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by his employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semi-monthly, monthly, quarterly, semiannual, or annual payroll period.

"(c) Employee: The term "employee" includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term "employee" also includes an officer of a corporation.

"(d) Employer: The term "employer" means the person for whom an individual

performs or performed any service, of whatever nature, as the employee of such person, except that—

"(1) if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term "employer" (except for the purposes of subsection (a)) means the person having control of the payment of such wages; and

"(2) in the case of a person paying wages on behalf of a nonresident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, the term "employer" (except for the purposes of subsection (a)) means such person.

"(e) Single person: The term "single person" means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that such person is single, or is married and not living with husband or wife, and is not the head of a family.

"(f) Married person: The term "married person" means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is married and living with husband or wife.

"(g) Married person claiming all of personal exemption for withholding: The term "married person claiming all of personal exemption for withholding" means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims all of the personal exemption and that for the purposes of this subchapter his spouse is claiming none of the personal exemption.

"(h) Married person claiming half of personal exemption for withholding: The term "married person claiming half of the personal exemption for withholding" means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims half of the personal exemption and that for the purposes of this subchapter his spouse is claiming not more than half of such exemption.

"(i) Married person claiming none of personal exemption for withholding: The term "married person claiming none of the personal exemption for withholding" means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) making no claim with respect to the personal exemption for the purposes of this subchapter.

"(j) Head of family: The term "head of a family" means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is the head of a family.

"(k) Dependent: The term "dependent" means a person included in a withholding exemption certificate in effect under section 1622 (h) as a person dependent upon and receiving his chief support from the employee and either under eighteen years of age or incapable of self-support because mentally or physically defective.

"SEC. 1622. Income Tax Collected at Source.

"(a) Requirement of withholding. Every employer making payment of wages shall deduct and withhold upon such wages a tax equal to the greater of the following:

"(1) 20 per centum of the excess of each payment of such wages over the family status withholding exemption allowable under subsection (b) (1) (A), or

"(2) 3 per centum of the excess of each payment of such wages over the Victory tax withholding exemption allowable under subsection (b) (1) (B).

"(b) Withholding exemption.

"(1) In computing the tax required to be deducted and withheld under subsection (a), there shall be allowed as a withholding exemp-

tion with respect to the wages paid for each payroll period—

“(A) in computing the tax required to be deducted and withheld under subsection (a) (1), a family status withholding exemption determined in accordance with the following schedule:

“Family status withholding exemption

“Payroll period	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly.....	\$12	\$24	\$12	0	\$6
Biweekly.....	24	48	24	0	12
Semi-monthly.....	26	52	26	0	13
Monthly.....	52	104	52	0	26
Quarterly.....	156	312	156	0	78
Semi-annual.....	312	624	312	0	156
Annual.....	624	1,248	624	0	312
Daily or miscellaneous (per day of such period).....	1.70	3.40	1.70	0	.85

“(B) in computing the tax required to be deducted and withheld under subsection (a) (2), a Victory tax withholding exemption determined in accordance with the following schedule:

“Payroll period	Victory tax withholding exemption
Weekly.....	\$12.00
Biweekly.....	24.00
Semi-monthly.....	26.00
Monthly.....	52.00
Quarterly.....	156.00
Semi-annual.....	312.00
Annual.....	624.00
Daily or Miscellaneous (per day of such period).....	1.70

“(2) If wages are paid with respect to a period which is not a payroll period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days (including Sundays and holidays) equal to the number of days in the period with respect to which such wages are paid.

“(3) In any case in which wages are paid by an employer without regard to any payroll period or other period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period

containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

“(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than one week, the Commissioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer, in computing the tax required to be deducted and withheld, to use the excess of the aggregate of the wages paid to the employee during the calendar week over the withholding exemption allowed by this subsection for a weekly payroll period.

“(5) In determining the amount to be deducted and withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

“(c) Wage Bracket Withholding:

“(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a).

If the payroll period with respect to an employee is weekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—										
					No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents					
					Or, (5) such person is head of a family and has—										
					No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents					
				The amount of tax to be withheld shall be—											
				\$0	\$10	\$1.00									
10	15	2.50	\$1.30	\$0.10											
15	20	3.50	2.30	1.10	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20				
20	25	4.50	3.30	2.10	.90	.30	.30	.30	.30	.30	.30				
25	30	5.50	4.30	3.10	1.90	.70	.50	.50	.50	.50	.50				
30	40	7.00	5.80	4.60	3.40	2.20	1.00	.70	.70	.70	.70				
40	50	9.00	7.80	6.60	5.40	4.20	3.00	1.80	1.00	1.00	1.00				
50	60	11.00	9.80	8.60	7.40	6.20	5.00	3.80	2.60	1.40	1.30				
60	70	13.00	11.80	10.60	9.40	8.20	7.00	5.80	4.60	3.40	2.20				
70	80	15.00	13.80	12.60	11.40	10.20	9.00	7.80	6.60	5.40	4.20				
80	90	17.00	15.80	14.60	13.40	12.20	11.00	9.80	8.60	7.40	6.20				
90	100	19.00	17.80	16.60	15.40	14.20	13.00	11.80	10.60	9.40	8.20				
100	110	21.00	19.80	18.60	17.40	16.20	15.00	13.80	12.60	11.40	10.20				
110	120	23.00	21.80	20.60	19.40	18.20	17.00	15.80	14.60	13.40	12.20				
120	130	25.00	23.80	22.60	21.40	20.20	19.00	17.80	16.60	15.40	14.20				
130	140	27.00	25.80	24.60	23.40	22.20	21.00	19.80	18.60	17.40	16.20				
140	150	29.00	27.80	26.60	25.40	24.20	23.00	21.80	20.60	19.40	18.20				
150	160	31.00	29.80	28.60	27.40	26.20	25.00	23.80	22.60	21.40	20.20				
160	170	33.00	31.80	30.60	29.40	28.20	27.00	25.80	24.60	23.40	22.20				
170	180	35.00	33.80	32.60	31.40	30.20	29.00	27.80	26.60	25.40	24.20				
180	190	37.00	35.80	34.60	33.40	32.20	31.00	29.80	28.60	27.40	26.20				
190	200	39.00	37.80	36.60	35.40	34.20	33.00	31.80	30.60	29.40	28.20				
\$200 or over.....		20% of the excess over \$200 plus													
		\$40.00	\$38.80	\$37.60	\$36.40	\$35.20	\$34.00	\$32.80	\$31.60	\$30.40	\$29.20				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$1.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10 to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—										
					No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents					
					Or, (5) such person is head of a family and has—										
					No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents					
				The amount of tax to be withheld shall be—											
				\$0	\$20	\$2.00									
20	30	5.00	\$2.60	\$0.20											
30	40	7.00	4.60	2.20	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30				
40	50	9.00	6.60	4.20	1.80	.60	.60	.60	.60	.60	.60				
50	60	11.00	8.60	6.20	3.80	1.40	.90	.90	.90	.90	.90				
60	80	14.00	11.60	9.20	6.80	4.40	2.00	1.40	1.40	1.40	1.40				
80	100	18.00	15.60	13.20	10.80	8.40	6.00	3.60	2.00	2.00	2.00				
100	120	22.00	19.60	17.20	14.80	12.40	10.00	7.60	5.20	2.80	2.60				
120	140	26.00	23.60	21.20	18.80	16.40	14.00	11.60	9.20	6.80	4.40				
140	160	30.00	27.60	25.20	22.80	20.40	18.00	15.60	13.20	10.80	8.40				
160	180	34.00	31.60	29.20	26.80	24.40	22.00	19.60	17.20	14.80	12.40				
180	200	38.00	35.60	33.20	30.80	28.40	26.00	23.60	21.20	18.80	16.40				
200	220	42.00	39.60	37.20	34.80	32.40	30.00	27.60	25.20	22.80	20.40				
220	240	46.00	43.60	41.20	38.80	36.40	34.00	31.60	29.20	26.80	24.40				
240	260	50.00	47.60	45.20	42.80	40.40	38.00	35.60	33.20	30.80	28.40				
260	280	54.00	51.60	49.20	46.80	44.40	42.00	39.60	37.20	34.80	32.40				
280	300	58.00	55.60	53.20	50.80	48.40	46.00	43.60	41.20	38.80	36.40				
300	320	62.00	59.60	57.20	54.80	52.40	50.00	47.60	45.20	42.80	40.40				
320	340	66.00	63.60	61.20	58.80	56.40	54.00	51.60	49.20	46.80	44.40				
340	360	70.00	67.60	65.20	62.80	60.40	58.00	55.60	53.20	50.80	48.40				
360	380	74.00	71.60	69.20	66.80	64.40	62.00	59.60	57.20	54.80	52.40				
380	400	78.00	75.60	73.20	70.80	68.40	66.00	63.60	61.20	58.80	56.40				
\$400 or over.....		20% of the excess over \$400 plus													
		\$80.00	\$77.60	\$75.20	\$72.80	\$70.40	\$68.00	\$65.60	\$63.20	\$60.80	\$58.40				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.40 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents						
				Or, (5) such person is head of a family and has—											
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of tax to be withheld shall be—											
				\$0	\$20	\$2.00									
20	30	5.00	\$2.40												
30	40	7.00	4.40	\$1.80	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30				
40	50	9.00	6.40	3.80	1.20	.60	.60	.60	.60	.60	.60				
50	60	11.00	8.40	5.80	3.20	.90	.90	.90	.90	.90	.90				
60	80	14.00	11.40	8.80	6.20	3.60	1.30	1.30	1.30	1.30	1.30				
80	100	18.00	15.40	12.80	10.20	7.60	5.00	2.40	1.90	1.90	1.90				
100	120	22.00	19.40	16.80	14.20	11.60	9.00	6.40	3.80	2.50	2.50				
120	140	26.00	23.40	20.80	18.20	15.60	13.00	10.40	7.80	5.20	3.10				
140	160	30.00	27.40	24.80	22.20	19.60	17.00	14.40	11.80	9.20	6.60				
160	180	34.00	31.40	28.80	26.20	23.60	21.00	18.40	15.80	13.20	10.60				
180	200	38.00	35.40	32.80	30.20	27.60	25.00	22.40	19.80	17.20	14.60				
200	220	42.00	39.40	36.80	34.20	31.60	29.00	26.40	23.80	21.20	18.60				
220	240	46.00	43.40	40.80	38.20	35.60	33.00	30.40	27.80	25.20	22.60				
240	260	50.00	47.40	44.80	42.20	39.60	37.00	34.40	31.80	29.20	26.60				
260	280	54.00	51.40	48.80	46.20	43.60	41.00	38.40	35.80	33.20	30.60				
280	300	58.00	55.40	52.80	50.20	47.60	45.00	42.40	39.80	37.20	34.60				
300	320	62.00	59.40	56.80	54.20	51.60	49.00	46.40	43.80	41.20	38.60				
320	340	66.00	63.40	60.80	58.20	55.60	53.00	50.40	47.80	45.20	42.60				
340	360	70.00	67.40	64.80	62.20	59.60	57.00	54.40	51.80	49.20	46.60				
360	380	74.00	71.40	68.80	66.20	63.60	61.00	58.40	55.80	53.20	50.60				
380	400	78.00	75.40	72.80	70.20	67.60	65.00	62.40	59.80	57.20	54.60				
\$400 or over.....		20% of the excess over \$400 plus													
		\$80.00	\$77.40	\$74.80	\$72.20	\$69.60	\$67.00	\$64.40	\$61.80	\$59.20	\$56.60				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.60 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—									
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
				Or, (3) such person is a single person and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—							
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents
				Or, (5) such person is head of a family and has—							
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents
				The amount of tax to be withheld shall be—							
\$0	\$40	\$4.00	\$3.80	\$0.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
40	50	9.00	8.80	1.10	.40	.40	.40	.40	.40	.40	.40
50	60	11.00	10.80	1.60	.70	.70	.70	.70	.70	.70	.70
60	70	13.00	12.80	2.10	1.00	1.00	1.00	1.00	1.00	1.00	1.00
70	80	15.00	14.80	2.60	1.30	1.30	1.30	1.30	1.30	1.30	1.30
80	100	18.00	17.80	3.10	1.60	1.60	1.60	1.60	1.60	1.60	1.60
100	120	22.00	21.80	3.60	1.90	1.90	1.90	1.90	1.90	1.90	1.90
120	140	26.00	25.80	4.10	2.20	2.20	2.20	2.20	2.20	2.20	2.20
140	160	30.00	29.80	4.60	2.50	2.50	2.50	2.50	2.50	2.50	2.50
160	200	36.00	35.80	5.20	2.80	2.80	2.80	2.80	2.80	2.80	2.80
200	240	44.00	43.80	6.00	3.20	3.20	3.20	3.20	3.20	3.20	3.20
240	280	52.00	51.80	6.80	3.60	3.60	3.60	3.60	3.60	3.60	3.60
280	320	60.00	59.80	7.60	4.00	4.00	4.00	4.00	4.00	4.00	4.00
320	360	68.00	67.80	8.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
360	400	76.00	75.80	9.20	4.80	4.80	4.80	4.80	4.80	4.80	4.80
400	440	84.00	83.80	10.00	5.20	5.20	5.20	5.20	5.20	5.20	5.20
440	480	92.00	91.80	10.80	5.60	5.60	5.60	5.60	5.60	5.60	5.60
480	520	100.00	99.80	11.60	6.00	6.00	6.00	6.00	6.00	6.00	6.00
520	560	108.00	107.80	12.40	6.40	6.40	6.40	6.40	6.40	6.40	6.40
560	600	116.00	115.80	13.20	6.80	6.80	6.80	6.80	6.80	6.80	6.80
600	640	124.00	123.80	14.00	7.20	7.20	7.20	7.20	7.20	7.20	7.20
640	680	132.00	131.80	14.80	7.60	7.60	7.60	7.60	7.60	7.60	7.60
680	720	140.00	139.80	15.60	8.00	8.00	8.00	8.00	8.00	8.00	8.00
720	760	148.00	147.80	16.40	8.40	8.40	8.40	8.40	8.40	8.40	8.40
760	800	156.00	155.80	17.20	8.80	8.80	8.80	8.80	8.80	8.80	8.80
\$800 or over-----		20% of the excess over \$800 plus									
		\$160.00	\$154.80	\$149.60	\$144.40	\$139.20	\$134.00	\$128.80	\$123.60	\$118.40	\$113.20

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$5.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages divided by the number of days in such period are—		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—										
					No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents				
					Or, (5) such person is head of a family and has—										
					No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents					
				The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period											
				\$0	\$1	\$0.10									
1	2	.30	\$0.15												
2	3	.50	.35	\$0.15											
3	4	.70	.55	.35	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05				
4	5	.90	.75	.55	.40	.20	.10	.10	.10	.10	.10				
5	6	1.10	.95	.75	.60	.40	.25	.10	.10	.10	.10				
6	7	1.30	1.15	.95	.80	.60	.45	.30	.15	.15	.15				
7	8	1.50	1.35	1.15	1.00	.80	.65	.50	.30	.16	.15				
8	9	1.70	1.55	1.35	1.20	1.00	.85	.70	.50	.35	.20				
9	10	1.90	1.75	1.55	1.40	1.20	1.05	.90	.70	.55	.35				
10	12	2.20	2.05	1.85	1.70	1.50	1.35	1.20	1.00	.85	.65				
12	14	2.60	2.45	2.25	2.10	1.90	1.75	1.60	1.40	1.25	1.05				
14	16	3.00	2.85	2.65	2.50	2.30	2.15	2.00	1.80	1.65	1.45				
16	18	3.40	3.25	3.05	2.90	2.70	2.55	2.40	2.20	2.05	1.85				
18	20	3.80	3.65	3.45	3.30	3.10	2.95	2.80	2.60	2.45	2.25				
20	22	4.20	4.05	3.85	3.70	3.50	3.35	3.20	3.00	2.85	2.65				
22	24	4.60	4.45	4.25	4.10	3.90	3.75	3.60	3.40	3.25	3.05				
24	26	5.00	4.85	4.65	4.50	4.30	4.15	4.00	3.80	3.65	3.45				
26	28	5.40	5.25	5.05	4.90	4.70	4.55	4.40	4.20	4.05	3.85				
28	30	5.80	5.65	5.45	5.30	5.10	4.95	4.80	4.60	4.45	4.25				
\$30 or over.....		20% of the excess over \$30 plus													
		\$6.00	\$5.85	\$5.65	\$5.50	\$5.30	\$5.15	\$5.00	\$4.80	\$4.65	\$4.45				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$0.15 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

“(2) If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days (including Sundays and holidays) equal to the number of days in the period with respect to which such wages are paid.

“(3) In any case in which wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

“(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than one week, the Commissioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer to determine the amount to be deducted and withheld under

the tables applicable in the case of a weekly payroll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

“(5) If the wages exceed the highest wage bracket, in determining the amount to be deducted and withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

“(d) Tax paid by recipient: If the employer, in violation of the provisions of this subchapter, fails to deduct and withhold the tax under this subchapter, and thereafter the tax against which such tax may be credited is paid, the tax so required to be deducted and withheld shall not be collected from the employer; but this subsection shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to deduct and withhold.

“(e) Nondeductibility of tax in computing net income: The tax deducted and withheld under this subchapter shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net

income for the purpose of any tax on income imposed by Act of Congress.

“(f) Refunds or credits:

“(1) Employers. Where there has been an overpayment of tax under this subchapter, refund or credit shall be made to the employer only to the extent that the amount of such overpayment was not deducted and withheld under this subchapter by the employer.

“(2) Employees. For refund or credit in cases of excessive withholding, see section 322 (a).

“(g) Included and excluded wages: If the remuneration paid by an employer to an employee for services performed during one-half or more of any payroll period of not more than thirty-one consecutive days constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than one-half of any such payroll period does not constitute wages, then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

"(h) Withholding Exemption Certificates. Every employee receiving wages shall furnish his employer a signed withholding exemption certificate relating to his status for the purpose of computing the withholding exemption, or if the employer exercises his election under section 1622 (c) (relating to wage bracket withholding), for the purpose of computing the amount to be deducted and withheld under such subsection. In case of a change of status, a new certificate shall be furnished not later than 10 days after such change occurs. The certificate shall be in such form and contain such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe. Such certificate—

"(1) If furnished after the date of commencement of employment with the employer by reason of a change of status, shall take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least thirty days from the date on which such certificate is furnished to the employer, except that at the election of the employer such certificate may be made effective with respect to any previous payment of wages made on or after the date of the furnishing of such certificate. For the purposes of this paragraph the term "status determination date" means January 1 and July 1 of each year.

"(2) If furnished otherwise than by reason of a change of status, shall take effect as of the beginning of the first payroll period ending, or the first payment of wages made without regard to a payroll period, on or after the date on which such certificate is furnished to the employer.

"A certificate which takes effect under this subsection shall continue in effect with respect to the employer until another such certificate furnished by the employee takes effect under this subsection. If no certificate is in effect under this subsection with respect to an employee, such employee shall be treated, for the purposes of the withholding exemption, or in case the employer exercises his election under section 1622 (c) (relating to wage bracket withholding), for the purpose of computing the amount to be deducted and withheld under such subsection, as a married person claiming none of the personal exemption for withholding and having no dependents.

"(i) Overlapping pay periods, and so forth: If a payment of wages is made to an employee by an employer—

"(1) with respect to a payroll period or other period, any part of which is included in a payroll period or other period with respect to which wages are also paid to such employee by such employer, or

"(2) without regard to any payroll period or other period, but on or prior to the expiration of a payroll period or other period with respect to which wages are also paid to such employee by such employer, or

"(3) with respect to a period beginning in one and ending in another calendar year, or

"(4) through an agent, fiduciary, or other person who also has the control, receipt, custody, or disposal of, or pays, the wages payable by another employer to such employee,

the manner of withholding and the amount to be deducted and withheld under this subchapter shall be determined in accordance with regulation prescribed by the Commissioner with the approval of the Secretary under which the withholding exemption allowed to the employee in any calendar year shall approximate the withholding exemption allowable with respect to an annual payroll period.

"(j) Withholding on basis of average wages: The Commissioner may, under regulations prescribed by him with the approval of the Secretary, authorize employers (1) to estimate the wages which will be paid to any

employee in any quarter of the calendar year, (2) to determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid, and (3) to deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually deducted and withheld upon the wages of such employee during such quarter to the amount required to be deducted and withheld during such quarter without regard to this subsection.

"Sec. 1623. Liability for tax.

"The employer shall be liable for the payment of the tax required to be deducted and withheld under this subchapter, and shall not be liable to any person for the amount of any such payment.

"Sec. 1624. Return and payment by governmental employer.

"If the employer is the United States, or a State, Territory, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, Territory, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose.

"Sec. 1625. Receipts.

"(a) Requirement: Every employer required to deduct and withhold a tax in respect of the wages of an employee shall furnish to each such employee in respect of his employment during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of wages is made, a written statement showing the wages paid by the employer to such employee during such calendar year, and the amount of the tax deducted and withheld under this subchapter in respect of such wages.

"(b) Statements to constitute information returns: The statements required to be furnished by this section in respect of any wages shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe. A duplicate of such statement if made and filed in accordance with regulations prescribed by the Commissioner with the approval of the Secretary shall constitute the return required to be made in respect of such wages under section 147.

"(c) Extension of time: The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the statements required to be furnished under this section.

"Sec. 1626. Penalties.

"(a) Penalties for fraudulent receipt or failure to furnish receipt: In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof be fined not more than \$1,000, or imprisoned for not more than one year, or both.

"(b) Additional penalty: In addition to the penalty provided by subsection (a) of

this section, any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of not more than \$50.

"(c) Failure of employer to file return or pay tax: In case of any failure to make and file return or pay the tax required by this subchapter, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not due to willful neglect, the addition to the tax shall not be less than \$10.

"(d) Penalties in respect of withholding exemption certificates: Any individual required to supply information to his employer under section 1622 (h) who willfully supplies false or fraudulent information, or who willfully fails to supply information thereunder which would require an increase in the tax to be withheld under section 1622, shall, in lieu of any penalty otherwise provided, upon conviction thereof, be fined not more than \$500, or imprisoned for not more than one year, or both.

"Sec. 1627. Other laws applicable.

"All provisions of law, including penalties, applicable with respect to the tax imposed by section 1400 shall, insofar as applicable and not inconsistent with the provisions of this subchapter, be applicable with respect to the tax under this subchapter.

"SUBCHAPTER E—GENERAL PROVISIONS

"Sec. 1630. Verification of returns, etc.

"(a) Power of Commissioner to require: The Commissioner, under regulations prescribed by him with the approval of the Secretary, may require that any return, statement, or other document required to be filed under this chapter shall contain or be verified by a written declaration that it is made under the penalties of perjury, and such declaration shall be in lieu of any oath otherwise required.

"(b) Penalties: Every person who willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter, shall be guilty of a felony, and, upon conviction thereof, shall be subject to the penalties prescribed for perjury in section 125 of the Criminal Code.

"Sec. 1631. Use of Government depositaries in connection with payment of Taxes.

"The Secretary may authorize incorporated banks or trust companies which are depositaries or financial agents of the United States to receive any taxes under this chapter in such manner, at such times, and under such conditions as he may prescribe; and he shall prescribe the manner, times, and conditions under which the receipt of such taxes by such depositaries and financial agents is to be treated as payment of such taxes to the collectors.

"Sec. 1632. Acts to be performed by agents.

"In case a fiduciary, agent or other person has the control, receipt, custody, or disposal of, or pays the wages of an employee or group of employees, employed by one or more employers, the Commissioner, under regulations prescribed by him with the approval of the Secretary, is authorized to designate such fiduciary, agent or other person to perform such acts as are required of employers under this chapter and as the Commissioner may specify. Except as may be otherwise prescribed by the Commissioner

with the approval of the Secretary, all provisions of law (including penalties) applicable in respect of any employer shall be applicable to a fiduciary, agent or other person so designated but, except as so provided, the employer for whom such fiduciary, agent or other person acts shall remain subject to the provisions of law (including penalties) applicable in respect of employers."

"(b) Technical Amendments.—

"(1) Amendment to Section 34.—Section 34 of the Internal Revenue Code (cross reference) is amended by striking out '453, 454, and 466 (e)' and inserting in lieu thereof '453 and 454'.

"(2) Amendment to Section 322: Section 322 (f) of the Internal Revenue Code (cross reference) is amended to read as follows:

"(f) Tax Withheld at Source: For refund or credit in case of withholding agent, see section 143 (f). For refund or credit in case of employer required to deduct and withhold tax on wages, see section 1622 (f)."

"(c) Expiration Date for Withholding at Source on Wages Under Subchapter D of Chapter 1: Section 476 of the Internal Revenue Code (prescribing the expiration date for the taxes imposed by subchapter D) is amended to read as follows:

"Sec. 476. Expiration date.

"The tax imposed by Part I of this subchapter shall not apply with respect to any taxable year commencing after the date of cessation of hostilities in the present war. The tax imposed by Part II of such subchapter shall not apply with respect to any wages paid after June 30, 1943 unless paid during the calendar year 1943 with respect to a payroll period beginning on or before such date."

"(d) Effective Date: The amendments made by subsections (a) and (b) shall take effect July 1, 1943, and shall be applicable to all wages paid on or after such date, except that such amendments shall not be applicable to wages paid during the calendar year 1943 with respect to a payroll period beginning before such date.

"Sec. 3. Credit for tax withheld at source.

"Section 35 of the Internal Revenue Code (relating to the credit for tax withheld on wages) is amended to read as follows:

"Sec. 35. Credit for tax withheld on wages.

"The amount deducted and withheld as tax under Subchapter D of Chapter 9 during any calendar year upon the wages of any individual shall be allowed as a credit to the recipient of the income against the tax imposed by this chapter for the taxable year beginning in such calendar year. If more than one taxable year begins in any such calendar year such amount shall be allowed as a credit against the tax for the last taxable year so beginning."

"Sec. 4. Refunds.

"(a) Excessive withholding, etc.: Section 322 (a) (2) of the Internal Revenue Code (relating to excessive withholding) is amended to read as follows:

"(2) Excessive withholding: Where the amount of the tax withheld at the source under Part II of Subchapter D or Subchapter D of Chapter 9 exceeds the taxes imposed by this chapter against which the tax so withheld may be credited under section 35 or 466 (e), the amount of such excess shall be considered an overpayment.

"(3) Credits against estimated tax: The Commissioner is authorized to prescribe, with the approval of the Secretary, regulations providing for the crediting against the estimated tax for any taxable year of the amount determined by the taxpayer or the Commissioner to be an overpayment of the tax for a preceding taxable year."

"(b) Presumptions as to date of payment: Section 322 (e) of the Internal Revenue Code (relating to presumption as to date of payment) is amended to read as follows:

"(e) Presumption as to date of payment: For the purposes of this section, any tax actually deducted and withheld at the source during any calendar year under Part II of Subchapter D or under Subchapter D of Chapter 9 shall, in respect of the recipient of the income, be deemed to have been paid by him not earlier than the fifteenth day of the third month following the close of his taxable year with respect to which such tax is allowable as a credit under section 35 or section 466 (e). For the purposes of this section, any amount paid as estimated tax for any taxable year shall be deemed to have been paid not earlier than the fifteenth day of the third month following the close of such taxable year."

"(c) Delegation of authority to collectors to make refunds: Section 3770 (a) of the Internal Revenue Code (relating to authority to make refunds) is amended (1) by striking out '(4)' at the beginning of paragraph (4) and inserting in lieu thereof '(5)'; and (2) by inserting after paragraph (3) the following:

"(4) Delegation of authority to collectors to make refunds: The Commissioner is authorized to delegate, with the approval of the Secretary, to collectors any authority, duty, or function which the Commissioner is authorized or required to exercise or perform under paragraph (1), (2), or (3) of this subsection, or under section 322 or 1027, where the amount involved (exclusive of interest, penalties, additions to the tax, and additional amounts) does not exceed \$1,000."

"(d) Overpayments: Section 3770 of the Internal Revenue Code (relating to authority to make credits and refunds) is amended by inserting at the end thereof the following:

"(c) Rule where no tax liability: An amount paid as tax shall not be considered not to constitute an overpayment solely by reason of the fact that there was no tax liability in respect of which such amount was paid."

"(e) Cross-reference: The last subsection of section 3771 of the Internal Revenue Code (relating to interest on overpayments) is amended to read as follows:

"(f) Estimated tax and tax withheld at source: For date of payment in respect of estimated tax and of tax withheld at source on wages, see section 322 (e)."

"(f) Review of allowance of interest: Section 3790 of the Internal Revenue Code (prohibiting administrative review of Commissioner's decisions) is amended by inserting at the end thereof the following: 'In the absence of fraud or mistake in mathematical calculation, the allowance or nonallowance by the Commissioner, of interest on any credit or refund under the internal revenue laws shall not, except as provided in Chapter 5, be subject to review by any other administrative or accounting officer, employee, or agent of the United States.'

"Sec. 5. Current payment of tax not withheld at source.

"(a) In general: The Internal Revenue Code is amended by striking out sections 58, 59, and 60 and inserting in lieu thereof the following:

"Sec. 58. Declaration of estimated tax by individuals.

"(a) Requirement of declaration: Every individual (other than an estate or trust and other than a nonresident alien with respect to whose wages, as defined in section 1621 (a), withholding under subchapter D of chapter 9, is not made applicable) shall, at the time during the taxable year prescribed in subsection (d), make a declaration of his estimated tax for the taxable year if—

"(1) his gross income from wages (as defined in section 1621)

"(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$2,700 for the taxable year; or did exceed \$2,700 for the preceding taxable year; or

"(B) in case such individual is married and living with husband or wife: can, when added to the gross income which can reasonably be expected to be received by such husband or wife from wages (as so defined), reasonably be expected to exceed \$3,500 for the taxable year; or did when added to the gross income of such husband or wife from wages (as so defined) for the preceding taxable year, exceed \$3,500 for such preceding taxable year; or

"(2) his gross income from sources other than wages (as defined in section 1621)

"(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$100 for the taxable year and his gross income to be such as will require the making of a return for the taxable year under section 51; or did exceed \$100 for the preceding taxable year and such individual either was required to make a return under section 51 or 455 for such preceding taxable year or would have been so required if he had been single during the whole of such preceding taxable year; or

"(B) in case such individual is married and living with husband or wife: can, when added to the gross income which can reasonably be expected to be received by husband or wife from such sources, reasonably be expected to exceed \$100 for the taxable year and the aggregate gross income of such husband and wife can reasonably be expected to be such as will require the making of a return under section 51 or 455; or did, when added to the gross income of such husband or wife from such sources for the preceding taxable year, exceed \$100 for such preceding taxable year and such individual would have been required to make a return under section 51 or 455 for such preceding taxable year if he had been married and living with husband or wife during the whole of such preceding taxable year; or

"(3) in case such taxable year is the taxable year beginning in 1943, such individual was required to make a return under section 51 for the taxable year beginning in 1942, and his gross income from wages (as defined in section 1621) for such taxable year is greater than the gross income which can reasonably be expected to be received from wages for the taxable year beginning in 1943.

"(b) Contents of declaration: In the declaration required under subsection (a) the individual shall state—

"(1) the amount which he estimates as the amount of tax under this chapter for the taxable year, without regard to any credits under sections 32, 35, and 466 (e);

"(2) the amount which he estimates as the credits for the taxable year under sections 32, 35, and 466 (e); and

"(3) the excess of the amount estimated under paragraph (1) over the amount estimated under paragraph (2), which excess for the purposes of this chapter shall be held and considered the estimated tax for the taxable year.

"The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

"(c) Joint declaration by husband and wife: In the case of a husband and wife living together, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint return is not made for the taxable year, the estimated tax for such year may be treated as the esti-

mated tax of either the husband or the wife, or may be divided between them.

"(d) Time and place for filing: The declaration required under subsection (a) shall be filed on or before the fifteenth day of the third month of the taxable year, except that if the requirements of subsection (a) are first met after such date, the declaration shall be filed on or before the fifteenth day of the last month of the quarter of the taxable year in which such requirements are first met. An individual may make amendments or revisions of a declaration filed under this subsection, under regulations prescribed by the Commissioner with the approval of the Secretary. If so made, such amendments or revisions shall be filed on or before the fifteenth day of the last month of any quarter of the taxable year subsequent to that in which the declaration was filed and in which no previous amendments or revisions have been made or filed. Declarations and amendments and revisions thereof shall be filed with the Collector specified in section 53 (b) (1).

"(e) Extension of time: The Commissioner may grant a reasonable extension of time for filing declarations and paying the estimated tax, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than six months.

"(f) Persons under disability: If the taxpayer is unable to make his own declaration, the declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such a taxpayer.

"(g) Signature presumed correct: The fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

"(h) Publicity of declaration: For the purposes of section 55 (relating to publicity of returns), a declaration of estimated tax shall be held and considered a return under this chapter.

"Sec. 59. Payment of estimated tax.

"(a) In general: The estimated tax shall be paid in four equal installments except that—

"(1) if the declaration is filed (otherwise than pursuant to an extension of time) after the fifteenth day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year (including the quarter in which the declaration is filed); and

"(2) if any amendment or revision of a declaration is filed, the remaining installments shall be ratably increased or decreased, as the case may be, to reflect the increase or decrease, as the case may be, in the estimated tax by reason of such amendment or revision; and

"(3) at the election of the individual, any installment of the estimated tax may be paid prior to the date prescribed for its payment. One installment of the estimated tax shall be paid at the time of making the declaration, and an installment thereof shall be paid on the fifteenth day of the last month of each succeeding quarter of the taxable year. Payment of any installment of the estimated tax shall be considered payment on account of the tax for the taxable year.

"(b) Assessment: The estimated tax shall be assessed only to the extent paid.

"Sec. 60. Special rules for application of sections 58 and 59.

"(a) Farmers: In the case of an individual whose estimated gross income from farming for the taxable year is at least 80 per centum of the total estimated gross income from all sources for the taxable year, in lieu of the time prescribed in section 58 (d), the declaration for the taxable year may be made at any time on or before the fifteenth day of the last month of the taxable year.

"(b) Application to short taxable years: The application of sections 58, 59, and 294 (a) (3), (4), and (5) to taxable years of less than twelve months shall be as prescribed in regulations prescribed by the Commissioner with the approval of the Secretary.

"(c) Application to taxable years beginning in 1943: If the taxable year is the calendar year 1943, the fifteenth day of September, 1943, shall be substituted for the fifteenth day of March for the purposes of section 58 (d). If the taxable year begins in 1943 after January 1, the date which shall be substituted for the fifteenth day of the third month of the taxable year for the purposes of section 58 (d) shall be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary. In either case installments of the estimated tax for such taxable year payable after September 1, 1943, shall be ratably decreased to reflect the payments on account of a taxable year beginning in 1942 which are treated as payments on account of the estimated tax for a taxable year beginning in 1943.

"(b) Additions to tax: Section 294 (a) of the Internal Revenue Code (relating to additions to tax in case of nonpayment) is amended by inserting at the end thereof the following:

"(3) Failure to file declaration of estimated tax: In the case of a failure to make and file a declaration of estimated tax within the time prescribed, there shall be added to the tax an amount equal to 10 per centum of the tax.

"(4) Failure to pay installment of estimated tax: In the case of the failure to pay an installment of the estimated tax within the time prescribed, there shall be added to the tax \$2.50 or 2½ per centum of the tax, whichever is the greater, for each installment with respect to which such failure occurs.

"(5) Substantial underestimate of estimated tax: If 80 per centum of the tax (determined without regard to the credits under sections 32, 35, and 466 (e)), in the case of individuals other than farmers exercising an election under section 60 (a), or 66⅔ per centum of such tax so determined in the case of such farmers, exceeds the estimated tax (increased by such credits), there shall be added to the tax an amount equal to such excess, or equal to 6 per centum of the amount by which such tax so determined exceeds the estimated tax so increased, whichever is the lesser. This paragraph shall not apply to the taxable year in which falls the death of the taxpayer.

"(c) Penalties: Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after 'return' wherever appearing therein the words 'or declaration', and (2) by inserting before 'tax' wherever appearing therein the words 'estimated tax or'.

"(d) Payment by installments: Section 56 (b) of the Internal Revenue Code (relating to installment payments) is amended by striking out 'The' at the beginning thereof and inserting in lieu thereof 'Except in the case of an individual (other than an estate or trust and other than a nonresident alien with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable), the'.

"(e) Date for making return by certain nonresident aliens.

"(1) Section 217 (a) of the Internal Revenue Code (relating to returns by nonresident aliens) is amended by inserting after 'In the case of a nonresident alien individual' the following: 'with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable,'.

"(2) Section 218 (a) of the Internal Revenue Code (relating to payment of tax by nonresident aliens) is amended by inserting

after 'In the case of a nonresident alien individual' the following: 'with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable,'.

"(f) Taxable years to which applicable: The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1942, except that section 294 (a) (5) of the Internal Revenue Code shall not be applicable to a taxable year beginning in 1943 in the case of an individual not required to make a declaration under section 58 of the Internal Revenue Code for such year.

"Sec. 6. Relief from double payments in 1943.

"(a) Tax for 1942 not greater than tax for 1943: In case the tax imposed by Chapter 1 of the Internal Revenue Code upon any individual (other than an estate or trust and other than a nonresident alien not subject to the provisions of sections 58, 59, and 60 of such chapter) for the taxable year 1942 (determined without regard to this section, without regard to interest or additions to the tax, and without regard to credits against the tax for amounts withheld at source) is not greater than the tax for the taxable year 1943 (similarly determined), the liability of such individual for the tax imposed by such chapter for the taxable year 1942 shall be discharged as of September 1, 1943, except that interest and additions to such tax shall be collected at the same time and in the same manner as, and as a part of, the tax under such chapter for the taxable year 1943. In such case if the tax for the taxable year 1942 (determined without regard to this section and without regard to interest or additions to the tax) is more than \$50, the tax under such chapter for the taxable year 1943 shall be increased by an amount equal to 25 per centum of the tax for the taxable year 1942 (so determined) or the excess of such tax (so determined) over \$50, whichever is the lesser. This subsection shall not apply in any case in which the taxpayer is convicted of any criminal offense with respect to the tax for the taxable year 1942 or in which additions to the tax for such taxable year are applicable by reason of fraud.

"(b) Tax for 1942 greater than tax for 1943: In case the tax imposed by Chapter 1 of the Internal Revenue Code upon any individual (other than an estate or trust and other than a nonresident alien not subject to the provisions of sections 58, 59, and 60 of such chapter) for the taxable year 1942 (determined without regard to this section, without regard to interest or additions to the tax, and without regard to credits against the tax for amounts withheld at source) is greater than the tax for the taxable year 1943 (similarly determined), the liability of such individual for the tax imposed by such chapter for the taxable year 1942 shall be discharged as of September 1, 1943, except that interest and additions to such tax shall be collected at the same time and in the same manner as, and as a part of, the tax under such chapter for the taxable year 1943. In such case the tax under such chapter for the taxable year 1943 shall be increased by—

"(1) the amount by which the tax imposed by such chapter for the taxable year 1942 (determined without regard to this section and without regard to interest and additions to such tax) exceeds the tax imposed by such chapter for the taxable year 1943 (determined without regard to this section, without regard to interest and additions to such tax, and without regard to credits against such tax under section 466 (e) or under section 35 of such chapter), plus

"(2) if the tax for the taxable year 1943 (determined without regard to this section, without regard to interest or additions to the tax, and without regard to credits against such tax under section 466 (e) or under section 35 of such chapter) is more than \$50, an

amount equal to 25 per centum of the tax for the taxable year 1943 (so determined) or the excess of such tax (so determined) over \$50, whichever is the lesser. Such amount shall in no case exceed 25 per centum of the tax for the taxable year 1942 (determined without regard to this section and without regard to interest and additions to such tax) or the excess of such tax (so determined) over \$50, whichever is the lesser.

"This subsection shall not apply in any case in which the taxpayer is convicted of any criminal offense with respect to the tax for the taxable year 1942 or in which additions to the tax for such taxable year are applicable by reason of fraud. An individual who becomes subject to tax for the taxable year 1943 under this subsection shall be an individual required to make a return for the taxable year 1943 under section 51 of the Internal Revenue Code.

"(c) Additional increase in 1943 tax where increased income:

"(1) Tax for 1942 not greater than that for 1943: In the case of a taxpayer whose liability for the tax for the taxable year 1942 is discharged under subsection (a), and whose surtax net income for the base year plus \$20,000 is less than that for the taxable year 1942, the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1943 shall be increased by the excess of 75 per centum of the tax imposed by such chapter for the taxable year 1942 (determined without regard to this section and without regard to interest and additions to the tax) over a tentative tax computed as if the portion of the surtax net income for the taxable year 1942 which is not greater than the sum of the surtax net income for the base year plus \$20,000 constituted both the surtax net income for the taxable year 1942, and the net income for such taxable year after allowance of all credits against net income:

"(2) Tax for 1942 greater than that for 1943: In the case of a taxpayer whose liability for the tax for the taxable year 1942 is discharged under subsection (b) and whose surtax net income for the base year plus \$20,000 is less than that for the taxable year 1943, the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1943 shall be increased by the excess of 75 per centum of the tax imposed by such chapter for the taxable year 1943 (determined without regard to this section and without regard to interest and additions to the tax) over a tentative tax for the taxable year 1943 computed as if the portion of the surtax net income for such taxable year which is not greater than the sum of the surtax net income for the base year plus \$20,000 constituted both the surtax net income for the taxable year 1943, and the net income for such taxable year after allowance of all credits against net income.

"For the purposes of this subsection 'base year' means any one of the taxable years 1937, 1938, 1939, or 1940, to be selected by the taxpayer.

"(d) Rules for application of subsections (a), (b), and (c).—

"(1) Application of subsection (b) to members of armed forces: If the taxpayer is in active service in the military or naval forces of the United States or any of the other United Nations at any time during the taxable year 1942 or 1943, the increase in the tax for the taxable year 1943 under subsection (b) (1) shall be reduced by an amount equal to the amount by which the tax for the taxable year 1942 (determined without regard to this section) is increased by reason of the inclusion in the net income for the taxable year 1942 of the amount of the earned net income (as defined in section 25 (a) (4)).

"(2) Joint returns: If the taxpayer either for the taxable year 1942 or for the taxable year 1943 makes a joint return with his

spouse, the taxes of the spouses for the taxable year for which a joint return is not made shall be aggregated for the purposes of subsections (a), (b), and (c), and in case the taxable year for which a joint return is not made is the taxable year 1943, the liability for the increase in the tax for the taxable year 1943 under subsections (b) and (c) shall be joint and several.

"(3) Foreign tax credit and applications of sections 105, 106, and 107: The credit against the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1943 allowed by section 31 of such chapter (relating to taxes of foreign countries and of possessions of the United States), shall be determined without regard to subsections (a), (b), and (c). Sections 105, 106, and 107 of such chapter (relating to limitations on tax) shall be applied without regard to subsections (a), (b), and (c).

"(4) Section 107 income attributed to base year: That portion of the compensation which is received or accrued in the taxable year 1942 (if the tax for such year is not greater than that for the taxable year 1943), or in the taxable year 1943 (if the tax for such year is less than that for the taxable year 1942), and which under section 107 of the Internal Revenue Code is attributed to the base year, shall for the purposes of subsection (c) be excluded in computing the surtax net income for the taxable year 1942 or 1943, as the case may be, and be included in computing the surtax net income for the base year.

"(5) Partnership business formerly operated as corporation: If, during the base year of any individual, such individual was a shareholder in a corporation and if substantially all of the assets of such corporation were at any time prior to May 1, 1943, acquired by such individual or a partnership of which he is a partner pursuant to the complete liquidation of such corporation, and if at all times after such liquidation up to and including the taxable year 1942 (if subsection (a) is applicable) or the taxable year 1943 (if subsection (b) is applicable) the trade or business of such corporation was carried on by such individual or partnership, for the purposes of subsection (c) such individual may compute his surtax net income for the base year as if the earnings and profits of the corporation for the taxable year ending with or within the base year had all been distributed as dividends at the end of such taxable year. If the interest of such individual in the partnership is proportionately less than his interest in the corporation, his distributive share of such dividends shall for the purposes of this paragraph be adjusted to reflect such difference.

"(6) Certain portions of increase in 1943 tax not part of estimated tax: The amount by which the tax for the taxable year 1943 is increased under subsection (a), (b) (2), or (c) shall not be considered to be a part of the tax for such taxable year for the purposes of sections 58, 59, 60, and 294 (a) (3), (4) and (5) of the Internal Revenue Code.

"(7) Taxpayer dying in taxable year 1942: If the individual dies during the taxable year 1942, subsections (a) (b), and (c) shall not apply.

"(e) Extension of time for payment of portions of increase in 1943 tax:

"(1) Twenty-five per centum increase under subsection (a) or (b): At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall, except as hereinafter provided, extend the time for the payment of the portion of the tax for the taxable year 1943 equal to one-half of the amount of the 25 per centum increase therein under subsection (a) or (b) (2) for the taxable year 1943, in which case such portion shall be paid on or before the fifteenth day of the fifteenth month follow-

ing the close of the taxable year. The Commissioner may condition the extension upon the furnishing by the taxpayer of a bond in such amount, not exceeding the amount with respect to which the extension applies, with such surety or sureties, as the Commissioner deems necessary, conditioned upon the payment of such amount in accordance with the terms of the extension. If such amount is not paid on or before the date on which it is payable, it shall be paid upon notice and demand from the Collector. If such amount is not paid on or before the date on which it is payable, there shall be collected, as a part of the tax, interest on such amount at the rate of 6 per centum per annum for the period beginning with the date on which such amount is payable and ending with the date on which it is paid.

"(2) Increase under subsection (c): At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall, except as hereinafter provided, extend the time for the payment of the portion of the tax for the taxable year 1943 equal to the increase therein under subsection (c), in which case such portion shall be paid in four equal annual installments, the first of which shall be paid on the fifteenth day of the fifteenth month following the close of the taxable year, and of the remaining installments one of which shall be paid on the last day of each succeeding twelve-month period, except that any installment may be paid prior to the date prescribed for its payment. The Commissioner may condition the extension upon the furnishing by the taxpayer of a bond in such amount not exceeding the amount of such increase, with such surety or sureties, as the Commissioner deems necessary, conditioned upon the payment of such amount in accordance with the terms of the extension. If the time for the payment of such portion is extended, there shall be collected, as a part of the tax, interest on each installment at the rate of 4 per centum per annum for the period beginning with the date prescribed for the payment of the tax for such taxable year and ending with the date on which such installment is paid or the date on which it is payable, whichever is the earlier. If any installment is not paid on or before the date on which it is payable, it and the remaining installments shall be paid upon notice and demand from the Collector. If any installment is not paid on or before the date on which it is payable, there shall be collected, as part of the tax, interest on such installment at the rate of 6 per centum per annum for the period beginning with the date on which such installment is payable and ending with the date on which it is paid.

"(f) Treatment of payments on account of 1942 tax. Any payment (other than interest and additions to the tax) made on account of the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1942 upon a taxpayer whose liability for such tax is discharged under subsection (a) or (b) shall be considered as payment on account of the estimated tax for the taxable year 1943. In the case of any extension of time for the payment of such tax granted by the Commissioner prior to September 1, 1943, payment of the portion thereof which if such extension had not been granted would have been payable under section 56 (b) prior to such date shall be made notwithstanding subsection (a) or (b), but the foregoing provisions of this subsection shall apply to any such payment. In case the taxpayer becomes delinquent, prior to September 1, 1943, in the payment of such tax or any installment thereof, subsection (a) or (b) shall not relieve the taxpayer of his liability for the tax, but the foregoing provisions of this subsection shall be applicable to payment of such liability. If any payment on account of the tax imposed by such chapter

for the taxable year 1942 is made pursuant to a joint return made by husband and wife for such taxable year, and such payment is considered as a payment on account of the estimated tax for the taxable year 1943, such payment may be treated as a payment on account of the estimated tax of either the husband or the wife for such taxable year or may be divided between them.

"(g) Use of term "Taxable Year". For the purposes of this section the terms "taxable year 1937", "taxable year 1938", "taxable year 1939", "taxable year 1940", "taxable year 1942", and "taxable year 1943" mean, respectively, the taxable year beginning in 1937, 1938, 1939, 1940, 1942, and 1943, respectively; and "taxable year" as applied to the taxable year 1942 or 1943 shall not include any period of less than twelve months unless occasioned by the death of the taxpayer or unless there is no taxable year of twelve months beginning in such calendar year.

"(h) Regulations. This section shall be applied in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

"SEC. 7. Additional allowance for members of armed forces.

"(a) In general. Section 22 (b) (13) of the Internal Revenue Code (relating to additional allowance for military and naval personnel in computing net income) is amended to read as follows:

"(13) Additional allowance for military and naval personnel. In the case of compensation received during any taxable year and before the termination of the present war as proclaimed by the President, by a member of the military or naval forces of the United States for active service in such forces during such war, or by a citizen or resident of the United States who is a member of the military or naval forces of any of the other United Nations for active service in such forces during such war, so much of such compensation as does not exceed \$1,500,"

"(b) Effective date. The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1942.

"SEC. 8. Abatement of tax for members of armed forces upon death.

"Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

"Supplement U—Abatement of tax for members of armed forces upon death.

"SEC. 421. Abatement of tax for members of armed forces upon death.

"In the case of any individual who dies on or after December 7, 1941, while in active service as a member of the military or naval forces of the United States or of any of the other United Nations and prior to the termination of the present war as proclaimed by the President, the tax imposed by this chapter shall not apply with respect to the taxable year in which falls the date of his death, and the tax under this chapter and under the corresponding title of each prior revenue law for preceding taxable years which is unpaid at the date of his death (including interest, additions to the tax, and additional amounts) shall not be assessed, and if assessed the assessment shall be abated, and if collected shall be credited or refunded as an overpayment."

"SEC. 9. Assistant commissioners.

"Subchapter B of Chapter 39 of the Internal Revenue Code as amended to read as follows:

"SUBCHAPTER B—ASSISTANT COMMISSIONERS

"SEC. 3905. Appointment.

"There shall be in the Bureau of Internal Revenue two Assistant Commissioners, who shall be appointed by the President, and with the advice and consent of the Senate.

"SEC. 3906. Duties.

"The Assistant Commissioners shall perform such duties as may be prescribed by the Commissioner or required by law."

"SEC. 10. Extension of time in connection with release of powers of appointment.

"Section 403 (d) (3) of the Revenue Act of 1942 is amended by striking out 'July 1, 1943' wherever it appears and inserting in lieu thereof 'March 1, 1944'; and section 452 (c) of the Revenue Act of 1942 is amended to read as follows:

"(c) Release before March 1, 1944:

"(1) A release of a power to appoint before March 1, 1944, shall not be deemed a transfer of property by the individual possessing such power.

"(2) This subsection shall apply to all calendar years prior to 1944 and to that part of the calendar year 1944 prior to March 1, 1944."

And the Senate agree to the same.

R. L. DOUGHTON,
HAROLD KNUXTON,
DANIEL A. REED,
THOMAS A. JENKINS,

Managers on the part of the House.

WALTER F. GEORGE,
DAVID I. WALSH,
BENNETT CHAMP CLARK,
HARRY F. BYRD,
A. H. VANDENBERG,
JAMES J. DAVIS,
JOHN A. DANAHY (with
reservations),

Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

COLLECTION OF INCOME TAX AT SOURCE ON WAGES

Description of House and Senate bills

Part II of subchapter D of chapter 1 of the Internal Revenue Code provides for collection at the source of a tax of 5 percent on the excess of all wages paid on or after January 1, 1943, over a specific exemption of \$624. The amount of tax collected at source under this provision is allowed as a credit against Victory tax and any excess thereof over the Victory tax imposed under part I of subchapter D is allowed as a credit against other income taxes imposed under chapter 1. Section 2 of the House bill would amend part II of subchapter D to provide for collection of a tax at source on wages paid on or after July 1, 1943, at a rate of 3 percent upon the excess of the wages paid over a specific exemption of \$624 and a rate of 17 percent (which was designed to approximate the yield of the normal tax and the first-bracket surtax on such wages) upon the excess over a withholding exemption, the amount of which depended on the employee's family status. Thus, the combined rates approximated the net Victory tax, the normal tax, and the first-bracket surtax on such wages. In lieu of withholding at the flat percentage rates on the excess of the wages over the exemptions, employers were granted an option to withhold a tax determined under tables provided in the bill under which the two portions of the tax were combined into a single amount to be withheld from each wage payment.

The Senate bill adopts the basic system of collection at source as provided in the House bill but makes a number of technical changes which are explained below. Under the bill as passed by the Senate, the methods of collection, payment, and administration of

the withholding tax were coordinated generally with those applicable to the social security tax imposed on employees under section 1400 of the code. This proposal was made in order to facilitate the work of both the Government and the employer in administering the withholding system. Accordingly, section 2 of the Senate bill places the 20 percent withholding provisions in a new subchapter D of chapter 9 of the code. The new subchapter is entitled "Collection of Income Tax at Source on Wages." This amendment requires a change in the numbering of the various sections discussed below. This system of collection of income tax at source, like other income-tax laws, will apply in the Virgin Islands.

Definitions

Subchapter D under the bill as passed by the Senate consists of sections 1621 to 1627, inclusive. Section 1621 provides definitions of the more important terms used in subchapter D. The general definition of the term "wages" contained in section 1621 (a) is the same as that contained in the House bill and in section 465 (a) of the code. The term is generally defined to include all remuneration whether designated as salary, wages, fees, commissions, etc., and whether paid in cash or property, if paid for services performed by an employee for his employer. Certain of the exceptions provided in existing law with respect to remuneration paid for given types of services are continued in identical language. These exceptions, numbered to conform to the bill, include remuneration paid (2) for agricultural labor as defined in section 1426 (h); (3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority; and (4) for casual labor not in the course of the employer's trade or business.

Exception (1) relates to remuneration paid for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay includible in gross income. The addition of the expression "includible in gross income under Chapter 1," is a clerical change required by a further clerical change in section 1622 (a) from the provisions of the corresponding section 466 (a) of the code.

The exception provided with respect to remuneration for services performed for a foreign government or instrumentality thereof was amended in the Senate bill (exception (5)) to make clear that the exception extends to remuneration paid to employees by the Commonwealth of the Philippines. The exception was also amended to make certain that the services must be performed for the particular government, or branch of such government.

The exception provided in existing law for services as an employee of a nonresident alien individual, foreign partnership, or foreign corporation, if such alien or foreign entity is not engaged in trade or business within the United States, was eliminated. In many cases, although not engaged in trade or business in the United States, such employers do have an office or place of business therein or agents by whom wages are paid to citizen or resident employees in the United States. The amendment requires the tax to be withheld in such cases.

Section 1621 (a) (6) provides an exception for remuneration paid for services performed by a nonresident alien individual other than a resident of a contiguous country who enters and leaves the United States at frequent intervals. This is the same clerical change as that made in the House bill from a similar exception relating to the requirement of withholding contained in section 466 (a) of the code. The effect of this exception is generally to exclude from withholding all nonresident alien individuals who are subject to withholding under the provisions of section 143 of the code. By express provision, the ex-

ception does not extend to residents of a contiguous country who enter and leave the United States at frequent intervals. Thus residents of Canada and Mexico falling in such category who are employed within and receive remuneration for services performed within the United States will be subject to withholding under the provisions of the bill. Such persons are subject to the tax imposed by sections 11, 12, and 450 of the code, the same as in the case of citizens of the United States, upon the wages received for services performed within the United States and are not presently subject to withholding with respect to compensation for personal services under section 143.

Many persons falling within the category of residents of a contiguous country who enter and leave the United States at frequent intervals are employed by American railroads and steamship companies in transportation service which involves crossing and recrossing the border at frequent intervals. These and similar cases have many complicating factors and are not susceptible of appropriate treatment by rigid statutory rules. In addition, the exception of this general category of nonresident aliens from withholding under section 143 with respect to compensation rests within the discretion of the Commissioner. Accordingly, exception (7) authorizes the Commissioner to provide exceptions from withholding for such individuals under regulations prescribed with the approval of the Secretary.

Exception (8), relating to services performed while outside the United States, is a clarification of existing law designed to facilitate the use of certain presumptions in determining whether the major part of the services for an employer during the calendar year is to be performed outside the United States.

Exception (9) is a new provision excepting from the definition of "wages" remuneration paid for services performed as a minister of the gospel.

Section 1621 (a), relating to the definition of "wages," makes clear that the exception provided in paragraph (8) thereof with respect to services performed outside the United States does not extend to wages paid for services performed on an American vessel or upon any vessel as an employee of the United States employed through the War Shipping Administration. Hence, withholding is required upon the wages paid to (1) employees performing services on or in connection with an American vessel (as defined in section 1426 (g) of the code) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States and (2) employees serving on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration. This is in accordance with present administrative practice under existing law.

The term "payroll period" is defined in section 1621 (b) and is identical with that contained in the House bill and in section 465 (a) of the code. The Senate bill, however, added a definition of the term "miscellaneous payroll period." This term embraces any period for which a payment of wages is ordinarily made to the employee by his employer other than a weekly, biweekly, semi-monthly, monthly, quarterly, semiannual, or annual payroll period. Thus, if an employer's ordinary practice is to pay his employees for periods of 10 days, such 10-day periods are miscellaneous payroll periods.

Section 1621 (c) defines the term "employee" in the same terms as the House bill and section 465 (d) of the code.

Sections 465 (c) and (e) of the code contain definitions of the terms "withholding agent" and "employer," respectively. Under the House bill and under the bill as

passed by the Senate, the definition of withholding agent has been eliminated. Both bills generally define the term "employer" to mean the person for whom an individual performs or performed any service, of whatever nature, as the employee of such person. This general definition is not adequate, however, to cover certain special cases, such as the case where the local agent of a nonresident alien individual, foreign partnership, or foreign corporation pays wages to a citizen or resident of the United States, and the case of the person making payment of wages in situations where the wage payments are not under the control of the person for whom the services are or were performed, as, for instance, in the case of certain types of pension payments. The House bill provided for these cases by an exception to the general definition of the term "employer" which provided that if the wages are paid by a person other than the person for whom the services are or were performed, the term "employer" means the person paying such wages. The Senate bill has restated the exception in order to make clear that it is designed solely to meet unusual situations and not intended as a departure from the basic purpose to centralize responsibility for withholding, returning, and paying the tax and furnishing receipts.

Accordingly, the Senate bill provides in section 1621 (d) (1) that if the person for whom the services are or were performed does not have control of the payment of the wages for such services the term "employer" means the person having control of the payment of such wages. Section 1621 (d) (2) provides that in the case of a person who pays wages on behalf of a nonresident alien individual, foreign partnership, or foreign corporation, which is not engaged in trade or business within the United States the term "employer" means the person who pays the wages.

As stated, section 1621 (d) makes it clear that the responsibility for withholding, paying, and returning the tax and furnishing receipts rests with the employer, except as otherwise specifically provided in section 1624. In the case of a corporate employer having branch offices, the branch manager or other representative may actually, as a matter of internal administration, withhold the tax or prepare the receipts required under section 1625, but the responsibility and legal duty for withholding, paying, and returning the tax and furnishing the receipts rests with the corporate employer.

Under the bill as passed by the Senate, the tax required to be collected at the source is based upon the excess of the wage payment over the amount of the withholding exemption provided in section 1622 (b). The amount of the withholding exemption in a specific case is in general dependent upon the status of the individual employee as single, married, etc.; upon the number of his dependents; and, in the case of an employed married person whose spouse is also employed, the amount of the withholding exemption claimed by each spouse. In all cases the withholding exemption will be determined by the employer upon the basis of the information relative to status set forth in a withholding exemption certificate required to be furnished by the employee. Accordingly, definitions have been provided in sections 1621 (e) to (k), inclusive, for the purpose of enabling the employer to determine the status of wage earners with respect to the withholding exemption. Under these definitions, which are identical in all but one respect with those contained in the House bill, the terms "single person," "married person," "head of a family," and "dependent," have the meanings assigned to such terms for the purpose of the personal exemption and credit for dependents in section 25 and the regulations prescribed thereunder, but the application of the appropriate amount of withholding ex-

emption in each case depends upon the furnishing of a withholding exemption certificate stating that the individual occupies the described status or is entitled to the withholding exemption with respect to dependents. If no certificate setting forth the status of the employee is furnished, no withholding exemption is allowed; and tax will be withheld upon the gross amount of the wage payment. If husband and wife are both employed, each may claim one-half of the withholding exemption allowed a married person or they may agree to allow one spouse to claim all of the withholding exemption, and the other spouse to claim none of the withholding exemption. The option in such case extends only to the withholding exemption allowed a married person which under the definition is termed the "personal exemption for withholding."

The withholding exemption provided with respect to dependents must be claimed by the spouse who furnishes the chief support for such dependent whether or not such spouse claims any part of the personal exemption for withholding. In the case of the head of a family having one or more dependents, one of such dependents is to be omitted in determining the number of dependents for the purpose of the withholding exemption with respect to dependents. The only respect in which the Senate bill differs from these provisions in the House bill is that the former proposes to qualify the definition of the term "married person claiming half of the personal exemption for withholding" contained in subsection (h) so that such amount of the personal exemption for withholding shall apply only where the withholding exemption certificate expressly states that for the purposes of the tax collected at the source on wages the employee's spouse is claiming not more than one-half of the personal exemption for withholding. This change is designed to bring this definition in line with the definition of "married person claiming all of personal exemption for withholding."

Requirement of Withholding

The House bill expressed the withholding requirement in terms of two portions of the tax required to be collected at source. The portion required to be withheld at the rate of 17 percent was based upon the excess of the wage payment over the amount of a withholding exemption which approximated the personal exemption of the wage earner under the regular income tax plus credit for dependents plus 10 percent of such exemption and credit, the combined amounts being prorated in accordance with the length of the particular payroll period. The portion required to be withheld at the rate of 3 percent was based upon the excess of each wage payment over the prorated withholding exemption of \$624 provided for Victory tax purposes. Thus, the employer would first apply one withholding exemption and rate to each payment of wages, then he would apply another withholding exemption and rate to such payment, and by adding the two results would arrive at the total amount of tax to be withheld. This amount would approximate the net Victory tax, the normal tax, and the first-bracket surtax on such wages.

The Senate bill is designed to achieve this same objective of withholding on wages an amount approximating the net Victory tax, the normal tax, and the first-bracket surtax on such wages, but it is so framed that the employer will not be required to make two separate computations and add the result of each in order to arrive at the amount of tax required to be withheld from any one employee.

To accomplish this objective of simplifying the work of employers, section 1622 under the Senate bill changes the aggregate withholding exemption of \$552 for single persons

provided in the House bill to §624; the withholding exemption of \$1,320 for married persons to §1,248; and the withholding exemption of \$408 for each dependent to §312. These amounts are termed the family status withholding exemptions. Withholding would then be applied at the single rate of 20 percent on all amounts paid in excess of these exemptions, prorated in accordance with the length of the pay-roll period. The Senate bill provides, however, that in no case may the tax to be withheld be less than 3 percent of the amount of the wages for each pay-roll period in excess of the prorated §624 Victory tax exemption.

The reason for the provision in section 1622 (a) that the amount to be withheld shall in no event be less than 3 percent of the amount in excess of the Victory tax withholding exemption is that the family status withholding exemption of a wage earner might equal or exceed the amount of his wages so that no withholding for normal tax and first-bracket surtax should take place, while at the same time his Victory tax withholding exemption might be less than the amount of his wages so that withholding for Victory tax purposes should take place. In other words, the provision is necessary to insure withholding for Victory tax purposes in the case of single persons with dependents having incomes between §624 and the applicable exemption under the 20-percent withholding, which ranges upward from §624 depending on the number of dependents, and in the case of married persons or heads of family with incomes between §624 and the applicable exemption under the 20-percent withholding, which ranges upward from §1,248 depending on the number of dependents. To illustrate: John Smith is a married person claiming the whole of the personal exemption for withholding and has one dependent. His weekly wage is \$30. His weekly family status withholding exemption is \$30 (§24 because he is a married person claiming the whole of the personal exemption for withholding, plus \$6 because of his one dependent). Since his weekly family status withholding exemption equals the amount of his weekly wage, there will be no withholding for normal tax and first-bracket surtax purposes. However, John Smith's weekly Victory tax withholding exemption is \$12, and since his weekly wage is \$30, he has a Victory tax liability, and his employer will withhold \$0.54 (3 percent of \$18).

The specific wage levels at which only the 3-percent rate is applicable are readily ascertainable, and the Commissioner's regulations can furnish a list of those levels so that employers will not need to make computations in order to determine whether the 3-percent or full 20-percent rate is applicable. For example, a married person with one dependent who claims all of the personal exemption for withholding and who receives less than \$33.18 a week will be subject only to a withholding tax of 3 percent on the amount received in excess of the prorated §624 Victory tax exemption. For all such persons receiving a weekly wage of \$33.18 or over the rate of withholding will be 20 percent on the amount in excess of the applicable family status withholding exemption.

Under the Victory tax withholding provisions the liability for withholding is placed upon the person having control of the payment of wages. Section 1622, under the Senate bill, like the House bill, specifically designates the "employer" as the person required to withhold and collect the tax. This is a clarifying change. A clerical amendment in the House bill eliminated the provision in section 466 (a) which restricts the withholding to wages includible in gross income. The same change is made in the Senate bill. This limitation, which was designed to exclude from withholding the amount of any wage payment exempted under the law from the tax imposed by chapter 1 of the code, is rendered unnecessary by the changes made

in the definition of the term "wages." The phrase "to any individual" was stricken from the requirement of withholding in order to avoid any implication that withholding should not apply merely because wages are received by a corporation, such as a corporate executor of a deceased employee.

Withholding Exemption

The amount of the withholding exemption applicable with respect to any payment of wages is determined under the provisions of section 1622 (b) under the Senate bill. The House bill changed the term "withholding deduction" contained in the Victory tax provisions to "withholding exemption" in order to avoid confusion. The latter designation is also used in the Senate bill. For convenience of reference, the withholding exemption allowable in computing tax at the 20-percent rate has, in the Senate bill, been designated the "family status withholding exemption" and that allowable in computing tax at the 3-percent rate the "Victory tax withholding exemption." The amount of the withholding exemption applicable to all wage payments is determined under the schedules provided in section 1622 (b) and the rules relative to the application of such schedules in certain types of cases are provided in paragraphs (2), (3), and (4) of subsection (b). The schedule of family status withholding exemptions applicable for the purpose of the 20-percent rate provided in subsection (a) (1) is as follows:

Family status withholding exemption

Payroll period	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly.....	\$12.00	\$24.00	\$12.00	0	\$6.00
Biweekly.....	24.00	48.00	24.00	0	12.00
Semi-monthly.....	26.00	52.00	26.00	0	13.00
Monthly.....	52.00	104.00	52.00	0	26.00
Quarterly.....	156.00	312.00	156.00	0	78.00
Semi-annual.....	312.00	624.00	312.00	0	156.00
Annual.....	624.00	1,248.00	624.00	0	312.00
Daily or miscellaneous (per day of such period).....	1.70	3.40	1.70	0	.85

The schedule of Victory tax withholding exemptions for the withholding rate of 3 percent is as follows:

Payroll period:	Victory tax withholding exemption
Weekly.....	\$12.00
Biweekly.....	24.00
Semi-monthly.....	26.00
Monthly.....	52.00
Quarterly.....	156.00
Semi-annual.....	312.00
Annual.....	624.00
Daily or miscellaneous (per day of such period).....	1.70

The first schedule was changed in the Senate bill from that contained in the House bill, for the reasons stated above. The latter schedule is the same as that provided in section 466 (b) of the code with the exception of an additional line setting forth the amount of the withholding exemption applicable with respect to wages paid for a single day's service in the case of a daily or miscellaneous payroll period, and the designation, "Victory tax withholding exemption." Except for the designation, the schedule is the same as that in the House bill. Under the rules prescribed in paragraphs (2) and

(3) of the subsection, the daily or miscellaneous payroll period exemption will be used for computing the amount of the withholding exemption in the case of wages paid on a daily basis, for any period not otherwise provided for in the schedules, or for wages paid without regard to any period. For instance, in the case of wages paid for a 10-day payroll period, the amount of the withholding exemption applicable is \$1.70 per day multiplied by the number of days in such period, or \$17. The same rules apply to the withholding exemption schedule applicable for the purpose of computing the tax at the 20-percent rate.

The rules prescribed in paragraphs (2), (3), and (4) of section 1622 (b) are the same in substance as those provided in paragraphs (2), (3), and (4) of section 466 (b) of the code, and the same as those in the House bill. The Senate bill inserts "withholding" before "exemption." This is a clarifying change.

Paragraph (4) of section 1622 (b) is substantially the same as paragraph (2) of section 466 (b) of the code except that it is made clear that the rule there prescribed is applicable only if authorized by the Commissioner under appropriate regulations. Under this provision, if wages are paid for a period of less than a week or, in the case of wages paid without regard to any period, if the time described in paragraph (3) is less than 1 week, the employer may, if so authorized by the Commissioner, compute the amount of the tax on the basis of the excess of the wages paid during the calendar week over the withholding exemption allowable for a weekly pay-roll period. If the employer is not authorized to use such method, the tax will be based upon the excess of the wages paid, prorated on a daily basis, over the amount of the daily withholding exemption of \$1.70. The application of this provision is illustrated by the following example:

If a married person (having no dependents) claiming all of the personal exemption for withholding receives in a calendar week \$8 per day for 4 days, his employer may be authorized to withhold upon the amount in excess of \$24 (or \$8) at 20 percent, so that the total amount withheld would be \$1.60. Hence, under such method withholding would apply beginning with the payment made for the fourth day, since the employee would have received \$24 for the first 3 days. On the other hand, if not so authorized, the employer must use the amounts specified in the schedules for a daily or miscellaneous pay-roll period, in which case the amount withheld for each day would be 20 percent of the excess of \$8 over \$3.40 (\$4.60), or \$0.92, and the total amount withheld would be four times the latter amount, or \$3.68.

Paragraph 5 of section 1622 (b) under the Senate bill is a new provision which, in order to simplify the work of the employer who withholds under the schedule method, permits him to round out the wages to the nearest dollar in computing the amount of tax to be withheld.

Paragraph (5) of section 466 (b) of the code provides that the total withholding exemption allowed an employee with respect to wages received from any one employer during the calendar year shall not exceed the amount of the withholding exemption allowable for an annual pay-roll period. This limitation operates to prevent an excessive withholding exemption and consequent underwithholding of the tax in those cases in which the employee receives regular wages plus additional wages in the form of bonuses, commissions, etc. The Senate bill, like the House bill, eliminates this paragraph as unnecessary. Under section 1622 (1) in the Senate bill, the Commissioner is vested with authority to provide appropriate rules for the determination of the withholding exemption applicable in such cases under which

the withholding exemption allowed to an employee in any calendar year shall approximate the withholding exemption allowable with respect to an annual pay-roll period.

Wage Bracket Withholding

Under the provisions of section 1622 (c) under the Senate bill, employers may at their option withhold a tax determined under tables provided in such section to be deducted from each wage payment. Such tax shall be in lieu of the tax computed under the percentage rates and required to be withheld under the provisions of subsection (a). The change made in subsection (b) under the Senate bill with respect to the withholding exemption made it possible to provide one table applicable to each pay-roll period for all employees, regardless of their marital and dependency status. The resulting redesigning and reduction in the number of tables should substantially simplify the employer's task and the amounts withheld will very closely approximate the amounts which would be withheld under the more numerous tables of the House bill. Under this section, tables are provided for weekly, biweekly, semimonthly, and monthly pay-roll periods. For the convenience of employers making payment of wages for pay-roll periods other than those comprehended by the above-mentioned tables, or for periods which do not constitute a pay-roll period, or making payment of wages without regard to any particular period of time, a further table described as the table applicable to a daily pay-roll period or a miscellaneous pay-roll period is provided. Under this table the amount of the tax required to be withheld is determined by multiplying the amount of tax shown opposite the particular daily wage bracket by the number of days in the period for which wages are paid or, in the case of wages paid without regard to a period of time, by the number of days which have elapsed between such wage payments, since the date of commencement of employment during the calendar year, or January 1, of the calendar year, whichever is the later.

The rules relating to the application of the above-mentioned tables to specific types of cases are prescribed in paragraphs (2), (3), and (4) of section 1622 (c) under the Senate bill. These rules are in substance the same as those prescribed in paragraphs (2), (3), and (4) of section 466 (b) of the code, and are identical, apart from minor changes, with those prescribed in the House bill, for the purpose of determining the amount of the withholding exemption in cases where the tax is determined by application of the percentage rate to the wages paid. For example, if wages are paid for a period which does not constitute a payroll period, paragraph (2) of section 1622 (c) provides that the amount of tax to be withheld shall be computed by multiplying the tax shown opposite the appropriate wage bracket in the miscellaneous table by the number of days contained in the period for which such wages were paid. Paragraph (4) of that section provides that if wages are paid for a period of less than 1 week the employer may be authorized by the Commissioner to compute the tax under the table applicable in the case of a weekly pay-roll period. If the employer is authorized to use the table applicable to the weekly pay-roll period, the aggregate of the wages paid to the employee during the calendar week shall be considered as the weekly wage.

Paragraph 5 of section 1622 (c) under the Senate bill is a new provision which, in order to simplify the work of the employer who withholds under the table method with respect to employees whose wages exceed the highest wage bracket in any table, permits him to round out the wages to the nearest dollar in computing the amount of tax to be withheld.

Tax Paid by Recipient

Section 1622 (d) under the Senate bill is substantially the same as section 466 (d) of the code and the corresponding provision of the House bill. However, the language has been changed in order to make clear that nothing contained in the subsection should be construed to relieve the employer of the duty imposed by law to withhold and pay the tax. Under this provision, payment by the recipient of the income of the tax required to be withheld by the employer relieves the employer from payment of the tax but does not relieve him from liability for additions to the tax or penalties for failure to withhold, collect, and pay the tax in accordance with the provisions of the subchapter.

Nondeductibility of Tax

Section 1622 (e) under the Senate bill provides that the tax withheld and collected at the source on wages shall not be allowed as a deduction either to the employer or the recipient of the income in computing net income. However, provision is made by an amendment to section 35 of the code for credit for tax withheld at source in the case of the recipient of the income. This represents a clerical change from the House bill.

Refunds or Credits

Subsection (f) provides that the refund or credit of any overpayment of the tax required to be withheld and collected shall be made to the employer only to the extent that the amount of the overpayment was actually withheld and collected from the employee. The provision differs from the House bill by reason of the fact that the provisions of law applying to the social-security tax on employees under section 1400 have been made applicable. The subsection contains a cross-reference to the provision for credit or refund to recipients of income in the case of excessive withholding.

Included and Excluded Wages

Subsection (g), under the Senate bill, is identical with the corresponding provision of the House bill. This subsection provides that if the remuneration paid for services performed during one-half or more of any pay-roll period constitutes wages, all the remuneration paid for such period shall be deemed to be wages; but if the remuneration paid for services performed during more than one-half of such pay-roll period does not constitute wages, then none of the remuneration paid for such period shall be deemed to be wages. The subsection has application only to remuneration paid for a period of not more than 31 consecutive days which constitutes an established pay-roll period within the meaning of the definition contained in section 1621 (b). It has no application to remuneration paid at irregular intervals or to remuneration paid without regard to any period. The 31-day limitation is intended to minimize changes in pay periods in order to avoid withholding.

Withholding Exemption Certificates

Subsection (h) of section 1622 under the Senate bill requires every employee receiving wages to furnish his employer a signed withholding exemption certificate in such form and containing such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe. The purpose of the certificate is to enable the employer to determine the amount of the withholding exemption applicable to the wages of each employee or, if the employer elects under section 1622 (c) to adopt wage-bracket withholding, the amount to be withheld under that subsection. The status of the employee as single person, married person claiming all of personal exemption for withholding, married person claiming half of personal exemp-

tion for withholding, married person claiming none of personal exemption for withholding, head of family, and the dependents to be taken into account by the employer for withholding purposes, are to be determined in accordance with the certificate furnished by the employee. Once in effect a certificate is to continue in effect until another certificate furnished by the employee takes effect. If no certificate is in effect with respect to an employee, the employer is to treat such employee as a married person claiming none of the personal exemption for withholding so that with respect to such employee there will be no withholding exemption in effect. Similarly, if the employer uses the wage-bracket tables, the amounts to be withheld from the wages of an employee with respect to whom there is no withholding certificate in effect are to be determined in accordance with the tables provided in the case of a married person claiming none of the personal exemption for withholding. In case of a change of status, the employee is required to furnish a new certificate not later than 10 days after such change occurs. This is a change from the House bill, designed to make clear that in the case of a change of status the employee must furnish a new certificate showing that change.

Under the House bill, changes in the employee's withholding exemption status are permitted at any time, but it is provided that the employer shall have at least 30 days from the date of notification of a change in status before being required to give effect to such change. Under subsection (h) of the Senate bill the employer is not required to give effect to a change in status more than twice during each calendar year. The modified rule is as follows:

(1) If the employee furnishes a withholding exemption certificate after the date of commencement of employment, the certificate is to take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least 30 days from the date on which such certificate is furnished. For the purposes of this provision, the status determination dates are fixed as January 1 and July 1 of each year. These provisions are a modification of those under the House bill, designed to allow employers ample time in which to adjust payroll and other accounting records to conform to the withholding exemption certificates furnished by employees after the date of commencement of employment. Wherever feasible, however, employers may give earlier effect to such certificates. (2) If the employee furnishes a withholding exemption certificate on or before the date of commencement of employment, the certificate is to take effect as of the beginning of the first payroll period ending on or after the date on which the certificate is furnished or with respect to the first payment of wages made without regard to a payroll period on or after such date.

The rules set forth under (1) above are applicable to all wage earners who are employed on July 1, 1943, when the new withholding provisions take effect. The rules under (2) above apply in the case of new employment or reemployment, after an interruption in employment with the same employer, occurring after July 1, 1943. In applying these rules in the case of an employee intermittently hired and rehired by the same employer at frequent intervals, such employee shall be deemed to have commenced his employment at the time of the first hiring.

Overlapping Pay Periods, Etc.

Section 1622 (i), under the Senate bill, authorizes the Commissioner, under regulations prescribed with the approval of the Secretary, to provide suitable rules for the determination of the withholding exemption

and the application of the wage-bracket tables with respect to various types of wage payments which do not fall readily within the statutory pattern which is necessarily designed to fit the customary type of periodic wage payments. The problems intended to be covered by these regulations are those arising generally in case of supplementary payments in the form of bonuses, commissions, dismissal wages, and the like, made in addition to periodic wage payments, and payments made with respect to periods beginning in one calendar year and ending in a different calendar year. The Senate bill changed the language of the corresponding provision of the House bill in order to make clear that the purpose of this provision is to limit the withholding exemption allowed to an employee in any calendar year to an amount approximating the withholding exemption allowable with respect to an annual pay-roll period.

Payments supplementary to periodic wage payments are made in various ways. Such payments may consist of commissions or bonuses paid each pay-roll period and covering the same or different periods as the regular wage payment or they may be made without regard to any particular period. The actual payment of the supplementary remuneration may or may not coincide with an actual payment of periodic wages. Such payments of supplementary remuneration raise the problem as to the proper handling of the withholding exemption and the wage-bracket tables in order to provide for the allowance of the appropriate withholding exemption and the deduction of the appropriate amount of tax.

For example, an employee's remuneration may consist of wages paid at periodic intervals plus additional wages in the form of a bonus paid at the end of each 6-month period. If the tax required to be withheld and collected at the source is computed independently with respect to each such payment of wages, after giving effect to the withholding exemption applicable to each such payment, it is apparent that such employee will have been allowed the entire amount of the withholding exemption to which he is entitled for a full calendar year. Hence, he should not be entitled to any withholding exemption with respect to wage payments made by the same employer during the balance of the calendar year. The same result would obtain if the tax on the periodic wage payments was withheld under the table applicable to such periods and the tax on the bonus was withheld on the percentage basis after allowance of the amount of the withholding exemption applicable to a 6-month period. It is obviously more desirable to have the withholding exemption to which the employee is entitled spread over the wage payments for the entire calendar year. Moreover, it is considered undesirable to burden the employer with the necessity of keeping records in order to determine at a given time the aggregate amount of the withholding exemption previously allowed to the employee.

Under the Senate bill, as in the House bill, the maximum amount allowable as a withholding exemption to an employee with respect to the wages paid by any one employer during the calendar year should approximate the amount of the withholding exemption allowed for an annual payroll period, whether such exemption is based on the schedules provided in subsection (b) of section 1622 or is reflected in the tables contained in subsection (c). For these reasons, it is expected that the Commissioner will provide reasonable regulations for the appropriate treatment of all such supplementary or overlapping wage payments. Such regulations should insure, on the one hand, that the amount of tax withheld by the employer will approximate the amount that would be withheld and collected if all wages paid to the employee by such employer were paid at periodic

intervals throughout the calendar year and, on the other hand, that the employee will receive the benefit of withholding exemptions approximating in the aggregate the amounts specified under the schedules for an annual pay-roll period.

Withholding on Basis of Average Wages

The Senate bill added a new provision, which is contained in subsection (j), to permit withholding to be based on average wages. Under this provision, the Commissioner may, under regulations, authorize employers to estimate the wages which will be paid to any employee in any quarter of a calendar year; determine the amount to be withheld and collected upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid; and to withhold and collect upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually withheld and collected upon the wages of such employee during such quarter to the amount otherwise required to be withheld during such quarter. This provision is designed to promote the efficient functioning of the withholding system in cases where there is steady employment and little fluctuation in wages between pay periods, so that a reasonably accurate average can be estimated, and it is expected that the Commissioner's regulations will prescribe rules appropriate to that end.

Liability for Tax

Section 467 of the code consists of subsections (a), (b), and (c). The House bill changed the headings and combined subsections (a) and (b) into new subsection (a). These were clerical amendments made because of the new definition of the term "employer" contained in section 465 (d) under the House bill and effected no substantive change in the law. Subsection 465 (b) under the House bill, relating to adjustments, was identical with section 467 (c) of the code. Under the Senate bill the corresponding section (sec. 1623) omits the provision for adjustments, since the adjustment authorization provision of section 1401 (c) of the code is made applicable.

Returns

The House bill provides for quarterly returns by the employer of tax withheld at source. The Senate bill omits the House provisions with respect to return and payment of the tax by employers. These requirements, under the Senate bill, are governed by the applicable provisions which apply to the tax imposed by section 1400. The provisions of the House bill relating to the determination of deficiencies have also been omitted in the Senate bill.

The change in the Senate bill from a system of collection, payment, and administration based upon the principles applicable to the income tax to a system of collection, payment, and administration based upon the principles underlying the collection of the social-security tax on wages has been made in order to promote efficiency and flexibility in the administration of the tax by the Government and the operations of the employer thereunder. This change, however, does not contemplate any departure from the basic principle that the responsibility and legal duty for withholding and paying the tax, etc., rests with the employer. In view of this basic principle, the Senate bill, in section 1624, retains the provision of the House bill that if the United States, a State, Territory, or political subdivision, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing is the employer, the return of the tax may be made by the officer or employee having control of the payment of wages or other officer or employee appropriately designated for that purpose.

Receipts

Section 469 of the code, relating to receipts, was amended by the House bill in two respects. Subsection (a) of section 469 was amended to eliminate the language which requires the employer to show on the receipt the period of employment covered by such receipt. As so amended, the section would specifically require only that the receipts show the amount of wages paid and the amount of tax withheld with respect thereto. The Commissioner is granted authority to prescribe by regulations the form and content of such receipts and, if he finds it necessary, he may require that the periods of employment be shown. Subsection (b) of section 469 of the House bill provided that the receipts should be in lieu of the information returns with respect to wages, but information returns would still be required with respect to remuneration not subject to withholding. Under the Senate bill, these House provisions are retained as section 1625 (a) and (b), and a clerical amendment is made in the heading and in the reference to "subchapter" rather than "part." The Senate bill contemplates that a duplicate of each receipt shall be furnished to the Government and provides that the furnishing of such duplicates shall be in lieu of the filing of Form 1099 information returns.

Subsection (c) of section 1625 under the Senate bill alters the provisions relating to extension of time for the furnishing of receipts to employees. By the terms of the amendment the Commissioner under regulations prescribed by him with the approval of the Secretary is empowered to grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the receipts required to be furnished to employees. Thus, the extension privilege will no longer be limited to the receipt to be furnished on the day on which the last payment of wages is made but may be applied in the case of receipts to be furnished at the close of the calendar year.

Penalties

Under the House bill subsections (a) and (b) of section 470, relating to penalties for fraudulent receipts or failure to furnish receipts, are identical with existing law. Under the Senate bill these penalty provisions remain substantially the same. The section has been renumbered as section 1626 and certain other clerical amendments have been made to adjust the provisions to the section of chapter 9 of the code.

Under the House bill subsection (c) of section 470 was amended to increase from \$5 to \$10 the minimum addition to the tax for failure by the employer to make and file a return required by this subchapter within the time prescribed by law or prescribed by the Commissioner in pursuance of law. The Senate bill retains this provision as section 1626 (c) with clerical changes required by the shift to chapter 9 of the code.

Section 470 (d) was a new provision added to the code by the House bill. This section provides appropriate penalties applicable to employees who willfully supply false or fraudulent withholding exemption certificates or who willfully fail to supply information which would decrease the withholding exemption. The penalty in each instance is a fine of not more than \$500 or imprisonment of not more than 1 year, or both, and such penalties are in lieu of those provided in section 145 (a) of the code. This provision with minor modifications is retained in the Senate bill as section 1626 (d). As amended the statutory language makes clear that the penalties are applicable in the case of an employee who willfully supplies false and fraudulent information, or who willfully fails to supply information, which would require an increase in the tax to be withheld at source on his wages. Reference to section 145 (a) was eliminated

because of the change from chapter 1 to chapter 9 of the code.

Under the bill as passed by the Senate, as has been previously noted, the withholding provisions have been shifted to chapter 9 of the code. To reflect this technical alteration an additional section has been added to the withholding provisions, namely, section 1627, and a subchapter E, to follow subchapter D of chapter 9, has been added. These new provisions are discussed below.

Other Laws Applicable

Section 1627 under the Senate bill provides that all provisions of law, including penalties, applicable with respect to the social-security tax on employees imposed by section 1400 shall, insofar as applicable and not inconsistent with the provisions of new subchapter D of chapter 9, be applicable with respect to the tax imposed under that subchapter.

Verification of Returns

Subchapter E of chapter 9 under the Senate bill contains certain provisions which will apply to chapter 9 generally. Under that bill there are two sections in subchapter E, namely, section 1630 and section 1631.

General provisions with respect to verification of returns, and related matters, are contained in section 1630. The Commissioner is empowered under subsection (a) to require that any return, statement, or other document required to be filed under chapter 9 shall contain or be verified by a written declaration that such return, statement, or other document is made under the penalties of perjury. To exercise this power the Commissioner is to prescribe appropriate regulations with the approval of the Secretary. The subsection makes clear that the declaration made under the penalties of perjury shall be in lieu of any oath otherwise required. Thus, the regulations may provide that the oath may be dispensed with in the case of employers making returns under chapter 9.

Subsection (b) of section 1630 provides for penalties in the case of a person who willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter. The subsection states that such person shall be guilty of a felony, and, upon conviction, shall be subject to the penalties prescribed for perjury in section 125 of the Criminal Code.

Special Provision for Payment of Withheld Taxes

Section 1631 relates to the use of incorporated banks or trust companies (which are depositaries or financial agents of the United States) in connection with the payment of taxes under chapter 9. Under this section the Secretary may authorize such incorporated banks and trust companies to receive any taxes under chapter 9 in such manner, at such times, and under such conditions as he may prescribe. If the Secretary should make such authorization, he shall prescribe the manner, times, and conditions under which the receipt of chapter 9 taxes by authorized incorporated banks and trust companies is to be treated as payment of such taxes by the collectors. Withholding under the new system will involve very considerable amounts of tax moneys which will be withheld from the wages of employees. These funds will not belong to the employers. It may well prove desirable to provide a method by which these funds will be turned over by employers, and reach their way into the Treasury, more rapidly and more currently than, for example, on a quarterly basis. The purpose of section 1631 is to provide a flexible method by which this objective may be accomplished without placing an undue strain on the administrative tax collection machinery.

Technical Amendments

Section 2 (b) of the House bill was a technical amendment changing the heading of subchapter D of chapter 1 of the Internal Revenue Code. This amendment is unnecessary under the new structure provided in the Senate bill; accordingly, section 2 (b) of the Senate bill contains other technical amendments in keeping with the rearrangement effected thereunder. Paragraph (1) amends section 34 of the code by omitting reference to section 466 (e), relating to credit for Victory tax withheld at source under the system in effect prior to July 1, 1943. Paragraph (2) amends section 322 (f) of the code, which is likewise a cross-reference provision, to provide a cross-reference to section 1622 (f), relating to refunds or credits to employers and to recipients of income, instead of to section 466 (f), the present credit provision relating to the Victory tax.

Section 476 of the code provides that the taxes imposed by subchapter D of chapter 1 shall not apply to any taxable year commencing after the date of cessation of hostilities in the present war. Section 2 (c) of the House bill amends section 476 to limit the application of this provision to the Victory tax imposed by part I of subchapter D of chapter 1. Section 2 (c) of the Senate bill amends section 476 so that the tax imposed by part II of subchapter D of chapter 1 shall not apply with respect to any wages paid after June 30, 1943. Wages (as defined in sec. 1621 (a)) paid after that date will be subject to the provisions of subchapter D of chapter 9.

Effective Date

Section 2 (d) of the Senate bill, relating to the effective date, provides that the amendments made by section 2 (a) and (b) shall take effect on July 1, 1943, and shall be applicable to all wages paid on or after such date.

Conference Amendment

The conference amendment retains with the following changes the provisions of the Senate bill with respect to collection of income tax at source on wages:

In section 1621 (b) the word "daily" has been inserted in the definition of a miscellaneous pay-roll period. This is a clerical change.

In section 1622 (b) (2) and section 1622 (c) (2) the parenthetical expression "(including Sundays and holidays)" has been inserted in the interest of clarity.

Paragraph (5) of section 1621 (c) provides that in determining the amount to be deducted and withheld under the table method the wages may, at the election of the employer, be computed to the nearest dollar. This provision has been changed to qualify the rule so as to make it clear that it is applicable only if the wages exceed the highest wage bracket in the applicable table. Thus the rule is applicable in the case of a weekly pay-roll period where the weekly wage exceeds \$200.

The provisions of section 1622 (h) have been amended in order to provide more logical rules for the effective date of withholding exemption certificates. The first rule, contained in paragraph (1), has been limited to certificates furnished after the date of commencement of employment with the employer by reason of a change of status. The second rule, contained in paragraph (2), has been extended to include the case of any certificate furnished otherwise than by reason of a change of status.

Section 1622 (h) has also been amended by adding the expression "and having no dependents." The purpose of this change is to avoid any misapprehension as to the consequences in a case where no withholding certificate is in effect.

A new paragraph (4) has been added to section 1621 (i). This paragraph authorizes the Commissioner, with the approval of the Secretary, to prescribe regulations for determining the manner of withholding and the amount to be deducted and withheld, in the case of a payment of wages by an employer to an employee through an agent, fiduciary, or other person who also has the control, receipt, custody, or disposal of, or pays, the wages payable by another employer to such employee. In such a case the withholding exemption of the employee for any 1 year is to approximate the withholding exemption allowable with respect to an annual pay roll period. To illustrate the application of this provision: Five companies maintain a central agency which carries on the administrative work of the companies. This central agency or organization consists of a staff of stenographers, clerks, bookkeepers, and so forth. The expenses of the central agency, including wages paid to the foregoing employees, are borne by the companies in certain agreed proportions. Under the arrangement, each company is the employer of each employee on the staff of the central agency. Under the provisions of new paragraph (4), the Commissioner is authorized to provide that each such employee will be entitled in any one year only to an aggregate withholding exemption which shall approximate the withholding exemption allowable with respect to an annual pay roll period, rather than to five such withholding exemptions.

A complementary provision has been inserted as new section 1632. This section is made a part of subchapter E of chapter 9 of the code. Consequently its provisions are applicable with respect to all of the taxes imposed under chapter 9. This section provides that in case a fiduciary, agent, or other person has the control, receipt, custody, or disposal of, or pays, the wages of an employee or group of employees, employed by one or more employers, the Commissioner, under regulations prescribed by him with the approval of the Secretary, is authorized to designate such fiduciary, agent, or other person, to perform such acts as are required of employers under chapter 9 and as the Commissioner may specify. If such designation is made, all provisions of law (including penalties) applicable in respect of an employer shall be applicable to such fiduciary, agent, or other person so designated, except as may be otherwise prescribed by the Commissioner with the approval of the Secretary. However, except as so provided, the employer for whom such fiduciary, agent, or other person acts shall remain subject to the provisions of law (including penalties) applicable in respect of employers.

Thus, in the illustration given above of the five companies maintaining a central agency to carry on their administrative work, the Commissioner may designate such central agency or organization to perform such of the acts with respect to withholding, return and payment of the tax, the furnishing of receipts, and so forth, as the Commissioner may specify. However, such a designation relieves the employer of responsibility only to the extent that the Commissioner prescribes.

The expression "an employee" contained in section 1622 (i), following paragraph (4) of that subsection has been changed to "the employee." This is a clarifying change.

Section 1625 (c), relating to extensions of time for the furnishing of receipts, has been changed by striking out the words "to employees." This is a clarifying change designed to make certain that the Commissioner's authority to grant extensions of time for the furnishing of receipts extends to the receipts required to be furnished by the employer with his return of withheld taxes.

Sections 2 (c) and (d), relating respectively to the expiration date of the withholding provisions of the Victory tax (part II, subchapter D of chapter 1 of the code) and the effective date of the withholding provisions under subchapter D, chapter 9 of the code, have been changed. The change with respect to the expiration date of withholding under the Victory tax provides that such withholding shall not apply with respect to any wages paid after June 30, 1943, unless such wages are paid during the calendar year 1943 with respect to a pay-roll period beginning on or before June 30, 1943. The change with respect to the effective date of withholding under the bill provides that such withholding shall take effect July 1, 1943, and shall be applicable to all wages paid on or after such date, except that it shall not be applicable to wages paid during 1943 with respect to a pay-roll period beginning before July 1, 1943.

DESCRIPTION OF HOUSE AND SENATE BILLS

Miscellaneous amendments

Credit for Tax Withheld at Source on Wages

Section 3 of the Senate bill amends section 35 of the code to provide that the amount of the tax withheld and collected under subchapter D of chapter 9 shall be allowed as a credit to the recipient of the income against the income (including Victory) tax imposed by chapter 1. The credit for the amount withheld during any calendar year upon the wages is to be allowed as a credit to the recipient of the income against the tax for the last taxable year beginning in such calendar year. Apart from a clarifying change this provision is substantially the same as the corresponding provision in the House bill.

Excessive Withholding

Section 4 (a) of the Senate bill, which amends section 322 (a) (2) of the code, relating to excessive withholding, is the same in substance as section 3 (a) of the House bill, which made a clarifying amendment to section 322 (a) (2).

Authority to Make Credits Against Estimated Tax

Section 4 (a) also adds a new paragraph (3) to section 322 (a). This provision authorizes the Commissioner to prescribe with the approval of the Secretary regulations providing for a credit against estimated tax for any taxable year of the amount determined by the taxpayer or the Commissioner to be an overpayment of the tax for a preceding taxable year.

Under the new procedure in the declaration and payment of the estimated tax (the first installment of which will generally be payable at the same time as the making of the return and final payment of the tax for the preceding taxable year) a class of cases will arise in which it is apparent that the tax for the preceding taxable year has been overpaid. The Commissioner should have the same authority to credit an overpayment of the tax for a preceding taxable year against the estimated tax for the current taxable year as he has under existing law with respect to the tax for the current taxable year. Permitting the taxpayer on his return or on his declaration to compute the overpayment and credit it against his estimated tax in his declaration would obviate unnecessary remittances by the taxpayer of the estimated tax and unnecessary refunds by the Commissioner. The administration of the provisions of the bill may, therefore, require some crediting procedure as to the estimated tax in addition to that now provided in section 322 (a) (1).

In the absence of administrative experience in the field, it seemed wiser, in providing such additional credit, not to require the credit to be made or permitted, but to grant authority to the Commissioner to make or

permit this type of credit, together with authority by regulation to specify the terms, conditions, extent, and effect of the credit to be made or permitted to be made. Among the matters to be covered by the regulations if the authority is exercised are—

(1) Whether and to what extent and under what conditions the taxpayer shall be allowed to take the credit on his declaration; and (2) whether the effect of the credit (whether taken by the taxpayer or made by the Commissioner) is to be like the credit allowed under section 35 of the code or like the credit specified by section 322 (a) (1). If, under this provision, the Commissioner authorizes a credit against the estimated tax of the character of that prescribed in section 322 (a) (1), such credit will constitute a payment of the estimated tax both generally and for the purposes of section 59 (b); and if the determination of the overpayment proves to have been erroneous, the year for which the overpayment was determined is adjusted.

Presumption as to Date of Payment

Section 4 (b) of the Senate bill amends section 322 (e) of the code, relating to presumption as to date of payment, to include tax actually withheld and collected at the source under subchapter D of chapter 9; to insure the application of the rule to the proper taxable year; and to provide for the application of the same rule with respect to payments of estimated tax.

Delegation of Authority to Collectors to Make Refunds

Subsection (c) of section 4 of the Senate bill amends section 3770 (a) of the code, relating to authority to make refunds. New paragraph (4) has been added which authorizes the Commissioner to delegate, with the approval of the Secretary, to the various collectors any authority, duty, or function which the Commissioner is required to exercise or perform with respect to the making of refunds, and the like, in respect of any individual, estate, or trust, where the amount involved does not exceed \$1,000. This provision makes it possible for the Commissioner to delegate to the collectors the function of making refunds of such amounts, not in excess of \$1,000, as the Commissioner may prescribe. This provision will permit the administrative authorities to handle refunds more expeditiously.

Rule Where No Tax Liability

Section 4 (d) of the Senate bill adds new subsection (c) to section 3770 of the code. Under this provision an amount paid as tax shall not be considered not to constitute an overpayment solely because there was no tax liability in respect of which that amount was paid.

The income-tax law requires the taxpayer to make a return of his tax and to pay the tax so returned. These requirements contemplate that in the discharge of these duties at the time, place, and manner prescribed, honest mistakes will occur—mistakes both as to the amount of the tax and as to the existence of any tax liability; and that such honest mistakes made incident to the bona fide orderly compliance with the actual or reasonably apparent duties of the taxpayer are to be corrected under the provisions of law governing overpayments. It is believed that existing law so provides. The language of certain court decisions (holding that certain payments, not made incident to a bona fide and orderly discharge of actual or reasonably apparent duties imposed by law, are not overpayments and accordingly that interest is not payable) has been read by some as meaning that no payment can result in an overpayment if no tax liability actually existed. It is not believed that such reading is in any way a statement of existing law. The provisions of the bill, however, emphasize the need for clarity in this regard.

Under the bill as passed by the Senate, two requirements become basic features of the income tax: (1) The declaration and payment of the estimated tax; and (2) the withholding and collection by the employer of tax from the wages of employees, and the return and payment as such of the amount by the employer to the Government. Honest mistakes incident to faithful and orderly compliance will, of course, occur, just as they have in the older procedures of the tax. The doubts expressed as to the existence of an overpayment in case it ultimately turns out that there is no tax, it is believed should be put to rest, and to this end the amendment to section 3770 of the code was inserted in the Senate bill. It is thought that the code does not contemplate that liability for interest can be cast on the Government by merely dumping money as taxes on the collector, by disorderly remittances to him of amounts not computed in pursuance of the actual or reasonably apparent requirements of the code, or not transmitted in accordance with the procedures set up by the code, or by other abuses of tax administration. As to these, a proper application of existing law will enable the courts, in the future as generally in the past, to deny treatment as overpayments to these improper payments.

Cross Reference

Section 4 (e) of the Senate bill changes the designation of the last subsection of section 3771 to subsection "(f)." This is a cross-reference provision.

Review of Allowance of Interest

Section 4 (f) of the Senate bill corresponds to section 3 (b) of the House bill and amends section 3790 of the code relating to prohibition of administrative review of the Commissioner's decision on the merits of claims presented under the internal-revenue laws. Because of the difficulty of applying the rules provided in the House bill, the Senate bill has extended the scope of section 3790 to include interest on any credit or refund under the internal-revenue laws.

Conference Amendment

The conference amendment retains with the following changes the provisions of the Senate bill covering miscellaneous amendments:

Section 4 (a) of the Senate bill, amending section 322 (a) (2) of the code (relating to excessive withholding), has been amended to make clear that where the amount of the tax withheld at source on wages is in excess of the income (including Victory) tax imposed by chapter 1, the amount of such excess shall be considered an overpayment. This amendment does not effect any change in substance.

Section 4 (b) of the Senate bill, which amends section 322 (e) of the code (relating to presumption as to date of payment) has been amended in two respects: First, it has been changed to provide that the tax actually deducted and withheld at the source on wages shall be deemed to have been paid by the recipient of the income not earlier than the fifteenth day of the third month following the close of his applicable taxable year; second, a clerical change is made, which omits the reference to the case of a non-resident alien individual. This second change is required by reason of the conference change which makes the return date of certain non-resident alien individuals the same as the return date for citizens and residents of the United States.

Section 4 (c) of the Senate bill, which amends section 3770 (a) of the code by authorizing delegation of authority to collectors to make refunds, has been changed to make clear that the amount involved, i. e., \$1,000, is to be determined without regard to interest, penalties, additions to the tax, and additional amounts. Such items are, how-

ever, within the scope of the authorized delegation.

The references throughout the foregoing portion of the bill to withholding at the source have been made uniform, so that the reference now is to "deduction and withholding." These are clerical changes, and do not effect any change in substance.

CURRENT PAYMENT OF TAX NOT WITHHELD AT SOURCE

Description of House and Senate Bills

The House bill provided for a system of current payment of individual income tax only to the extent of a so-called estimated basic tax (net Victory tax plus normal tax plus first-bracket surtax) on income not constituting wages subject to withholding at source. The system proposed under the Senate bill provides for the current collection of all individual income (including Victory) tax on income to the extent that such taxes are not paid through withholding at source.

Section (5) of the Senate bill strikes sections 58, 59, and 60 of the code, which are cross-reference provisions, and inserts in lieu thereof new sections 58, 59, and 60 to provide for the current payment of that portion of the individual's tax liability not required to be withheld at source. Withholding at source is at a rate designed to approximate the net Victory tax, the normal tax, and first-bracket surtax and applies only with respect to wages (as defined in sec. 1621). The current payment system is designed to provide for collection during the taxable year of the remaining tax liability for such year. Accordingly, it provides for the current collection of the net Victory tax on income not subject to withholding at source, for the current collection of the surtax above the first bracket on wages, and for the current collection of the normal tax and surtax on income not subject to withholding at source. The amount of the current payment is to be determined upon the basis of a declaration by the taxpayer of his estimated tax liability for the current taxable year.

Requirement of Declaration

Subsection (a) of section 58, under the Senate bill, prescribes the rules for determining what persons are required to make a declaration of estimated tax. Nonresident aliens and estates and trusts are specifically excepted from the requirement to make such declaration and from the current payment system. Under the House bill, nonresident alien individuals who are residents of a contiguous country and who enter and leave the United States at frequent intervals were not excepted from the requirement for a declaration. The Senate bill excepted all nonresident aliens from the operation of the current payment system.

The requirements as to who shall make and file a declaration are based generally upon the amount and kind of the estimated gross income for the current taxable year or the amount and kind of the actual gross income for the preceding taxable year, and the personal status of the individual as single or married at the time prescribed for the making of the declaration. Under the House bill, the amounts of gross income which determined the necessity for a declaration of estimated tax were based upon the amounts which determined the necessity for a return under section 51. Under the Senate bill, provision is made for declarations of estimated tax in certain cases by persons required to make returns of Victory tax under the provisions of section 455, even though such persons would not be required to make returns under the provisions of section 51. These amendments are designed to collect the Victory tax currently in the case of individuals who are not subject to withholding at the source and to equalize the system of current collection as between such persons and per-

sons subject both to the Victory tax and the regular income tax.

Under the conditions set forth in section 58 (a) in the Senate bill, every individual who, at the time prescribed for the making of the declaration, is single or is married but not living with husband or wife shall make and file a declaration of his estimated tax for the taxable year if—

(1) His gross income from wages (as defined in sec. 1621) can reasonably be expected to exceed \$2,700 for the taxable year; or

(2) His gross income from wages (as defined in sec. 1621) did exceed \$2,700 for the preceding taxable year; or

(3) It can reasonably be expected that for the taxable year his gross income from sources other than wages (as defined in sec. 1621) will exceed \$100 and his gross income from all sources will amount to \$500 or more; or

(4) His gross income for the preceding taxable year from sources other than wages (as defined in sec. 1621) did exceed \$100 and his gross income from all sources for the preceding taxable year was \$500 or more.

Every individual who, at the time prescribed for the making of the declaration, is married and living with husband or wife shall make a declaration of his estimated tax for the taxable year if—

(1) It can reasonably be expected that for the taxable year, such individual will receive gross income from wages (as defined in sec. 1621) and the aggregate gross income of such individual and such spouse from wages will exceed \$3,500; or

(2) In the preceding taxable year, such individual received gross income from wages (as defined in sec. 1621) and the aggregate gross income of such individual and such spouse from wages exceeding \$3,500; or

(3) It can reasonably be expected that for the taxable year such individual will receive gross income from sources other than wages (as defined in sec. 1621), the aggregate gross income of such individual and such spouse from the sources other than wages will exceed \$100, and (a) the gross income from all sources of such individual will exceed \$624 or (b) the aggregate gross income of such individual and such spouse from all sources will amount to \$1,200; or

(4) In the preceding taxable year such individual received gross income from sources other than wages (as defined in sec. 1621), the aggregate gross income of such individual and such spouse from sources other than wages exceeded \$100, and (a) the gross income from such sources of such individual for the preceding taxable year exceeded \$624, or (b) the aggregate gross income from all sources of such individual and such spouse for the preceding taxable year was \$1,200 or more.

For the purposes of section 58, the amount of the gross income which the taxpayer can reasonably be expected to receive or, in the case of a taxpayer upon the accrual basis, the amount which can reasonably be expected to accrue, shall be determined upon the basis of the facts and circumstances existing as of the time prescribed for the making of the declaration.

Contents of Declaration

Subsection (b) of section 58 in the Senate bill prescribes the rules relative to the form and content of the taxpayer's declaration of estimated tax. It is required generally that the declaration shall be in such form and contain such information as may be prescribed by the Commissioner under regulations approved by the Secretary. Subsection (b) specifically requires that the declaration shall state (1) the amount which the taxpayer estimates as the amount of his tax under sections 11 and 12, or section 400, as the case may be, and the Victory tax

imposed by section 450 (adjusted for the credit provided in sec. 453), without regard to any credits for tax withheld at source; (2) the amount which he estimates as the amount of the credits allowable for the taxable year under sections 32, 35, and 466 (e) on account of tax withheld at source on tax-free covenant bonds and wages; and the excess of the amount estimated under (1) over the amount estimated under subsection (b) the "estimated tax for the taxable year" is the excess of the amount estimated by the taxpayer as the tax imposed by chapter 1 (without regard to credit for taxes withheld at source) over the amount which the taxpayer estimates as the amount allowable as a credit for taxable year for taxes withheld at the source. The subsection further provides that a declaration of estimated tax for the taxable year shall contain or be verified by a written statement that it is made under the penalties of perjury.

Joint Declaration by Husband and Wife

Under the provisions of subsection (c) of section 58 in the Senate bill, a husband and wife living together at the time prescribed for making a declaration may elect to make a joint declaration in which case the liability with respect to the estimated tax shall be joint and several. A joint declaration by husband and wife shall be signed and verified by both spouses. If the declaration is signed by one spouse as agent for the other, authorization for such action must accompany the declaration. No joint declaration is permitted if either husband or wife is a nonresident alien. If the husband and wife make a joint declaration but do not make a joint return for the taxable year the amounts paid on account of the estimated tax for such year may be treated as payments on account of the tax liability of either the husband or wife for the taxable year or may be divided between them in any manner they see fit.

Time and Place for Filing Declarations

The time and place for filing declarations of estimated tax required under section 58 under the Senate bill are prescribed in subsection (d) of such section. Such declarations must be filed on or before the 15th day of the third month of the taxable year by every person whose then anticipated income for the current taxable year or whose actual income for the preceding taxable year meets the requirements of subsection (a). In the more usual case of taxpayers on the calendar year basis, such declarations are to be filed on or before the 15th day of March. In the case of taxpayers on a fiscal year basis, such date will be the 15th day of the third month of the particular fiscal year. If, under the provisions of subsection (a) a declaration is not required on or before the 15th day of the third month of the taxable year but subsequent thereto the facts and circumstances are such that the gross income for the taxable year can reasonably be expected to meet the requirements of such subsection, a declaration of the estimated tax liability is required to be filed. In such event, the declaration must be filed on or before the 15th day of the last month of the quarter of the taxable year in which the requirements of subsection (a) are first met. For instance, a single person was hired on January 2, 1944, at a salary of \$2,400 per annum. He had no other source of income, could not reasonably expect to receive any other income, and did not receive any income during the preceding taxable year. In the absence of any change of circumstances before March 15, 1944, such person is not required to make a declaration as of that date. On July 1 such person was advised that he was promoted to a higher position and that thereafter his salary would be increased to \$3,200 per year. Hence, on

that date the gross income of such person for the taxable year could reasonably be expected to exceed \$2,700. Therefore, assuming that such taxpayer makes his income tax return on a calendar year basis, a declaration of his estimated tax liability for the taxable year should be filed on or before the 15th day of September of such year.

Under the provisions of subsection (d), an amended or revised declaration is permitted, subject to such regulations as may be prescribed by the Commissioner with the approval of the Secretary. Such amended or revised declaration may be filed in any quarter of the taxable year subsequent to the quarter in which the declaration or the last amended declaration was filed. The revised estimate shown in such amended declaration shall not take effect with respect to any quarter unless filed on or before the 15th day of the third month of such quarter. Declarations of estimated tax liability and all amended or revised declarations shall be filed with the collector of internal revenue for the district in which is located the legal residence or principal place of business of the person making such declaration or if the declarant has no legal residence or principal place of business in the United States, such declarations and amendments and revisions shall be filed with the collector of internal revenue at Baltimore, Md. Any such amended declaration shall be filed with the collector for the district in which the original declaration was filed.

Subsection (e) of section 58 authorizes the Commissioner to grant a reasonable extension of time for filing the declaration of the estimated tax under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no extension shall be granted for a period of more than 6 months. This provision is the same in substance as the comparable provision of the House bill, except that the Senate bill applies the same rules relative to extension to payment of the estimated tax.

Rules Applicable to Declarations

Subsection (f) relating to persons under disability, provides that if the taxpayer is unable to make his own declaration a declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer. In such case, the taxpayer and his agent shall be responsible for the declaration as made and incur liability for any penalties provided for erroneous, false, or fraudulent declaration.

Under subsection (g) it is provided that the fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

Subsection (h) makes applicable to declarations of estimated tax the provisions of section 55, relating to publicity of returns.

With the exception of the foregoing section 58 (h) and the differences due to the basic difference in the systems of current payment of tax in the House bill and in the Senate bill, section 58 of the Senate bill is substantially the same as the corresponding section 58 of the House bill.

Payment of Estimated Tax

Section 59 of the Senate bill is substantially the same as section 59 of the House bill except for technical amendments necessitated by the requirement for current payment of the entire tax instead of only the basic tax as under the House bill, and a clarifying amendment relating to installment payments of the estimated tax.

Under the provisions of new section 59, if the declaration of the estimated tax is made on or before the fifteenth day of the third month of the taxable year, such tax shall be paid in four equal installments. In such

case the first installment shall be paid at the time of filing the declaration, the second installment on the fifteenth day of the sixth month, the third installment on the fifteenth day of the ninth month, and the fourth installment on the fifteenth day of the twelfth month of the taxable year.

If the declaration of estimated tax is filed after the fifteenth day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year. For example, if the declaration is filed on the fifteenth day of the sixth month of the taxable year, the estimated tax shall be paid in three equal installments.

If, pursuant to section 58 (e), the Commissioner grants an extension of time within which to make a declaration of estimated tax, installments of such tax shall be paid at such time and under such conditions as the Commissioner may prescribe.

If a taxpayer files an amended or revised declaration of estimated tax, the remaining installments of estimated tax shall be ratably increased or decreased, as the case may be, to reflect any change made in the previously estimated tax by such amendment or revision. For example, on March 15, 1944, the taxpayer filed a declaration of estimated tax for the calendar year 1944 in the amount of \$600. An installment of \$150 was paid at the time of making such declaration. However, on June 15, 1944, the taxpayer filed an amended declaration, disclosing an estimated tax for the taxable year of \$300 instead of the \$600 originally estimated. As a result of such amended declaration, the installments of estimated tax required to be paid on June 15, September 15, and December 15 will each be \$50.

At the election of the taxpayer, any installment of estimated tax may be paid prior to the date prescribed for its payment.

As stated above, section 58 (e) authorizes the Commissioner, under certain conditions, to grant an extension of time for payment of the estimated tax.

The section further provides that payment of the estimated tax shall be considered payment on account of the income (including Victory) tax imposed by chapter 1 for the taxable year. The taxpayer will, of course, have to file his regular income-tax return as usual, and on such return the estimated tax paid will be taken into account. All such payments of estimated tax are for the purpose of the provisions of law relating to refund or credit of the tax imposed by chapter 1, including the provisions relating to interest on overpayments of such tax, deemed to have been paid on the fifteenth day of the third month following the close of the taxable year.

Subsection (b) of section 59 provides that the estimated tax shall be assessed only to the extent paid. Thus, the collector may not distraint for any unpaid installment of estimated tax. Such provision, however, shall not be construed to prevent the application of section 146 relating to the closing by the Commissioner of the taxable year.

Special Rules for the Application of Sections 58 and 59

New section 60 under the Senate bill provides special rules for the application of sections 58 and 59 relating to the declaration and payment of the estimated tax. Subsection (a) allows the individual whose estimated gross income from farming for the taxable year is at least 80 percent of his total estimated gross income from all sources for the taxable year the option of filing his declaration on or before the fifteenth day of the last month of the taxable year, in lieu of the time prescribed for other individuals under section 58 (d). This provision recognizes the difficulty of estimating in the early part of the taxable year the amount of income

which will be derived from ordinary farm operations. Weather conditions, plant and animal diseases, ravages of insects and other pests, are among the factors which contribute to the uncertainty of such income. The estimated gross income from farming is the estimated income of the farm entrepreneur from the cultivation of the soil and the raising or harvesting of any agricultural or horticultural commodities, and the raising of livestock, bees, or poultry. In other words, the requisite gross income must be derived from the operations of a stock, dairy, poultry, fruit, or truck farm, or plantation, ranch, nursery, range, or orchard.

Subsection (b) of new section 60 authorizes the Commissioner, with the approval of the Secretary, to prescribe suitable regulations for the application with respect to short taxable years of section 58, 59, and 294 (a) (3), (4), (5), added to the Internal Revenue Code by the bill. Thus, the rules applicable to short taxable years with respect to the declaration and payment of the estimated tax, and additions to the tax for failure to make a timely declaration of estimated tax, timely payment of installments of estimated tax, or for substantial underestimates of tax, are to be established by regulations.

Subsection (c) prescribes the special rule governing the transition to the system of current payment of the income tax on income not subject to withholding at source. The subsection provides the rule applicable with respect to the filing of the first declaration required under the bill. In the case of a taxable year which is the calendar year 1943, the declaration is to be filed on or before September 15, 1943. In the case of a taxable year which is a fiscal year beginning after January 1, 1943, the declaration shall be filed on such date as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Apart from the date for filing the first declaration, all of the other rules prescribed in the bill with respect to declarations generally shall be applicable to such first declaration. The subsection makes it clear that the payments which taxpayers are required to make with respect to their 1942 tax shall be applied to decrease ratably the installments of estimated tax for taxable years beginning in 1943.

Additions to Tax

Section (5) (b) of the Senate bill adds to section 294 (a) of the code three new paragraphs numbered (3), (4), and (5). These paragraphs contain sanctions relating to the filing of declarations and payment of installments of estimated tax and to the proper estimate of tax.

Paragraph (3) provides for an addition to the tax in the case of failure to make and file a declaration of estimated tax within the time specifically prescribed by this bill or within the time prescribed by the Commissioner under the authority granted by the bill. Such addition to the tax shall be in an amount equal to 10 percent of the tax. The term "the tax" for the purpose of this provision means the tax imposed by chapter 1 of the code. The Senate bill eliminates from the comparable provision of the House bill the minimum penalty of \$10.

Paragraph (4) provides for an addition to the tax imposed by chapter 1 of the code in the case of the failure to pay an installment of the estimated tax within the time specifically prescribed in the bill or within the time prescribed by the Commissioner pursuant to authority granted by the bill. Such addition to the tax shall be in the amount of 2½ percent of the tax imposed by chapter 1, but in no event shall such addition be less than \$2.50. In the case of husband and wife who file a joint declaration of estimated tax for the taxable year, and subsequently file separate returns for such year, the addition to the tax in the case of a failure to pay an installment of the estimated tax within the

time prescribed shall be 2½ percent of the tax imposed on each spouse under chapter 1, but not less than \$2.50 in the case of each spouse.

Paragraph (5) provides for an addition to the tax in the case of a substantial underestimate of tax. In view of the fact that the taxpayer may revise his estimate of tax quarterly throughout the taxable year, and as late as the 15th day of the last month of the taxable year, the provision for an addition to the tax is a reasonable sanction to insure the payment during the taxable year of a total amount of estimated tax closely approximating the actual liability for the year. In the case of individuals other than farmers exercising the election under section 60 (a), an addition to the tax imposed by chapter 1 is provided in the event that the amount of the estimated tax (increased by the amounts of the credits for taxes withheld at source) is less than 80 percent of the amount of the tax imposed by that chapter (determined without regard to the credits for taxes withheld at source). The parenthetical expressions represent a change from the comparable provision of the House bill, designed to obviate hardship in certain cases. In the event of a failure to file any declaration where one is due, the amount of the estimated tax for the purposes of this provision will be zero. In the case of farmers exercising the election under section 60 (a), the addition to the tax is applicable if the amount of the estimated tax, increased as stated above, is less than 66⅔ percent of the amount of the tax imposed by chapter 1, determined as stated above. The addition to the tax shall be an amount equal to 6 percent of the difference between the amount of the estimated tax so increased, and the tax imposed by chapter 1 so determined; or the difference in dollars, whichever is the lesser. To illustrate: (1) Taxpayer A files a declaration showing an estimated tax of \$200, based upon the excess of an amount estimated as the amount of tax without regard to withholding credit, \$800, over the amount which he estimates as the withholding credit for tax withheld at source on wages, \$600. His tax for the year, determined without regard to the withholding credits, is \$1,200. The actual amount of tax withheld on his wages is \$700. Eighty percent of his tax for the year determined without regard to the withholding credits is \$960. The amount of the estimated tax, which is \$200 (\$800 minus \$600), increased by the amount of the credit for tax withheld at source (\$700), is \$900. Accordingly, taxpayer A is subject to the penalty. Applying the 6-percent rate, the amount of the penalty is \$18 (6 percent of \$1,200 minus \$900). The penalty of the dollar amount of the excess is not applicable because that excess is \$300 (\$1,200 minus \$900). The 6-percent penalty is the lesser, and therefore applicable.

(2) Taxpayer B files a declaration showing an estimated tax of \$200, based upon the excess of an amount estimated as the amount of tax without regard to withholding credit, \$900, over the amount which he estimates as the withholding credit for tax withheld at source of wages, \$600. His tax for the year, determined without regard to the withholding credits, is \$950. The actual amount of tax withheld on his wages is \$550. The amount of the estimated tax, which is \$200 (\$900 minus \$600), increased by the amount of the credit for tax withheld at source (\$550) is \$750. Accordingly, since 80 percent of \$950 is \$760, taxpayer B is subject to the penalty. Applying the 6-percent rate, the amount of the penalty is \$12 (6 percent of \$950 minus \$750). The penalty of the dollar amount of the excess is \$10 (\$760 minus \$750). Since the dollar amount penalty is less than the penalty at the 6-percent rate, the former is applicable.

Penalties

Subsection (c) of section (5) of the Senate bill amends section 145 (a) of the code. Sec-

tion 145 (a) prescribes criminal penalties for the willful failure to make and file returns, keep records, supply information, or pay tax. By the amendment contained in section 5 (c) the same penalties are made applicable to the failure to make and file declarations and pay the estimated tax.

Installments

Section (5) (d) of the Senate bill terminates the privilege of installment payments of tax in the case of all individuals subject to the system of current collection of income taxes provided in the bill. The bill contemplates that since the payments made during the taxable year will be based upon the reasonably anticipated tax liability for that year (which should closely approximate the actual tax liability in view of the privilege granted to the taxpayer to revise his estimate), there is no occasion for retaining the installment privilege. The requirement, pursuant to section 56 (a), for payment on the 15th day of the third month following the close of the taxable year of any excess of the actual liability over the amount of estimated tax paid during the taxable year should not create a hardship in any case where a reasonable and proper estimate is made during the taxable year. Despite the amendment made by subsection (d), any payment of tax or any payment of an installment of tax due and payable before September 1, 1943, shall be made in accordance with the requirements of the present law. In other words, a taxpayer on the calendar year basis, who pays his 1942 tax liability in installments, must pay his March 15 and June 15, 1943, installments of 1942 tax.

Effective Date

Subsection (e) of section 5 of the Senate bill provides that the amendments made by section 5 of the bill shall be effective with respect to taxable years beginning after December 31, 1942. Thus the recommended system for current payment of individual income tax not withheld at source applies only to taxable years beginning on or after January 1, 1943.

Conference Amendment

The conference amendment extended the system of current payment of tax not withheld at source to those nonresident aliens with respect to whose wages withholding at source is made applicable. Thus, generally speaking, the current tax payment system will apply to certain nonresident alien individuals who are residents of a contiguous country and who enter and leave the United States at frequent intervals. Such aliens, with respect to wages received for services performed in this country, are subject to tax in the same manner and to the same extent as citizens of the United States. Since they will be subject to withholding on such wages, failure to include them within the current tax payment system would cause a considerable doubling-up in the payment of their taxes. The necessary change to effect the inclusion of these aliens is contained in the opening sentence of section 58 (a). For the purposes of the contents of the declaration, such aliens shall estimate the amounts of all of the credits allowable with respect to taxes withheld under section 143 and withheld on wages.

Paragraph (3) of section 58 (a) under the conference amendment is a new provision which extends the scope of the declaration requirement in order to cover a situation arising from the operation of section 6 (b). Under this provision a declaration of estimated tax for the taxable year beginning in 1943 is required from an individual who was required to make a return for the taxable year beginning in 1942, and whose gross income from wages for such 1942 taxable year exceeds the gross income which can reasonably be expected to be received from wages for the 1943 taxable year. This provision is designed to require an individual to file a declaration and pay as a part of esti-

lated tax the amount of the excess of his 1942 tax liability over his 1943 tax liability (by reason of section 6 (b) (1)), in the case where such individual would otherwise not be required to file a declaration for the taxable year 1943.

Section 58 (b) (1) has been changed by striking the reference in the Senate bill to "the amount of tax under sections 11 and 12, or 400, as the case may be, and section 450," and inserting in lieu thereof: "The amount of tax under this chapter." This is a clarifying amendment.

Section 5 (d), which amends section 56 (b) of the code, has been changed to remove the installment privilege in the case of the nonresident alien individuals to whom withholding under subchapter D of chapter 9 is made applicable. This provision is required by reason of the inclusion of such individuals in the current tax-payment system.

A new subsection (e) has been added to section 5 of the bill. This subsection amends sections 217 (a) and 218 (a) of the code to provide, in effect, that nonresident alien individuals to whom withholding under subchapter D of chapter 9 is made applicable shall file returns and pay tax at the time provided in the case of citizens and residents of the United States. The purpose of this provision is to coordinate the return and payment date of such individuals with the date applicable to others to whom the current tax payment system applies.

Subsection (f) of the conference amendment (corresponding to subsection (e) of the Senate bill) contains a change which precludes the application of section 294 (a) (5) in the case of taxpayers who are not required to make a declaration of estimated tax for a taxable year beginning in 1943.

Relief from double payments in 1943

Description of House and Senate Bills

Section 6 of the Senate bill contains provisions relating to the problem of transition to the system of current collection of tax liabilities. This section differs materially from the corresponding section of the House bill. This difference is occasioned by the fact that under the House bill the system of current collection of tax liabilities is applied only to normal tax, surtax at the first bracket rate and the net Victory tax, the balance of tax liability for any taxable year being collected in the year following the receipt of the income as under existing law. Under the House bill the transition problem was met by the discharge of the liability for tax for the taxable year beginning in 1943 only to the extent of the normal tax plus a percentage of the surtax net income at the first bracket rate. Thus, the amount discharged corresponded approximately to the amount to be collected currently in cases in which the income for the 2 years is approximately the same.

The Senate bill calls for the collection currently of the entire tax liability. Section 6 of the Senate bill meets the problem of transition by discharging the entire liability for the taxable year commencing in 1942. Under subsection (a) of section 6 this discharge is made applicable as of September 1, 1943, to all persons to whom the system of current collection of tax liabilities applies, with the exception of any case in which the taxpayer is convicted of any criminal offense with respect to the tax for the taxable year 1942 or in which additions to the tax for such taxable year are applicable by reasons of fraud. It is also provided that interest and additions to the tax for the taxable year 1942 shall be collected as a part of the tax for the taxable year 1943.

In order, however, to prevent certain windfalls as a result of the discharge, subsections (b) and (c) of section 6 of the Senate bill provide for an increase of the 1943 tax liability in certain situations. The net effect of these increases, which is more fully explained below, is to reduce the amount of the relief

from 1942 tax liability, but for administrative reasons the entire 1942 tax liability is discharged and the reduction is couched in terms of an increase in the 1943 liability which would otherwise be due. There are no comparable provisions in the House bill.

Subsection (b) of section 6 of the Senate bill provides a special rule applicable in cases in which the 1942 tax would have been greater than the 1943 tax. In such a case an amount equal to the excess of the 1942 tax over the 1943 tax (in both instances determined without regard to interest, additions to the tax, and credits for amounts withheld at source) is added to the 1943 tax liability. For example, a taxpayer who is married but has no dependents and who had a net income for the taxable year 1942 of \$10,000 and would, therefore, be liable for a tax in the amount of \$2,152 for the year 1942 but for the provisions of subsection (a) of section 6, is nevertheless liable for that minimum amount of tax for the year 1943, even though his net income for 1943 were to drop to a figure which would produce a tax liability less than \$2,152. If, for example, his net income for the year 1943 were only \$2,000, producing a tax liability of approximately \$180, he would have added to his liability for 1943 the difference between \$2,152 and \$180, or \$1,972. A special exception to this rule makes such an increase of the 1943 tax liability inapplicable with respect to persons entering upon active service with the armed forces in 1942 or 1943, to the extent that the excess of the 1942 tax over the 1943 tax is attributable to earned net income as defined in section 25 (a) (4) of the Internal Revenue Code. The determination of the portion of the excess of 1942 tax over 1943 tax which is attributable to earned net income is to be determined under regulations prescribed by the Commissioner with the approval of the Secretary.

The increase in the tax liability for 1943 which is effected by subsection (b) of section 6 of the Senate bill is considered to be a part of the 1943 tax which is to be paid currently during the taxable year. Therefore, on the occasion of the taxpayer's filing his declaration of estimated tax for 1943 on September 15, in the case of a taxpayer on a calendar year, the tax liability for the taxable year 1943 as estimated by the taxpayer will include any increase resulting from the operation of subsection (b) of this section. Thus, in the case of a calendar year taxpayer (other than a taxpayer who entered the armed forces in 1942 or 1943) who elected to pay his 1942 tax in installments, the September and December installments of estimated tax can never be less than one-fourth of the 1942 tax less whatever amount is estimated to be withheld at source.

Subsection (c) of section 6 of the Senate bill contains two additional situations in which the 1943 tax liability is increased as a result of, in effect, reducing the amount of the 1942 tax liability discharged. In both of the situations covered under subsection (c) however, the resulting increase in the 1943 tax is considered not to be a part of the 1943 estimated tax which is to be paid currently during the taxable year. Such increase, therefore, is required to be paid at the time prescribed for the payment of the tax for the 1943 year. Subsection (d) of this section, which will be subsequently discussed, provides for a manner in which this increase may be paid over a period of 4 years. In effect, in each of the situations covered under subsection (c) the principle involved is the same, namely the reduction in the amount of relief from tax liability for 1942 or 1943, whichever year is the measure of relief, from a full year's relief to a lower amount in cases where the taxpayer's income has risen substantially when compared with the income of a previous period. This lower amount of tax relief is obtained by computing a tentative tax for the year other-

wise serving as the measure for relief, based on the amount of the surtax net income of the base year plus \$10,000. As in subsection (b) the tax for the year 1942 is technically discharged and the excess of tax liability over the relief so computed is added as an increase of 1943 tax. The subsection provides that the increase in tax will be determined under regulations of the Commissioner. It is contemplated that such regulations will prescribe the details relating to the comparisons of the years involved, the computations of the tentative tax on which such increase is based, the method of determining the composition of the income on which the tentative tax is computed, and other matters involved.

The first situation covered by the Senate bill in subsection (c) of section 6 is one in which the tax for the taxable year 1942 (determined without regard to interest and additions to the tax and credits for amounts withheld at source) is less than that for the taxable year 1943 (similarly determined), and where the surtax net income of the taxpayer for any one of the taxable years 1938, 1939, or 1940, whichever may be selected by him (hereafter referred to as the base year), plus \$10,000 is less than the surtax net income of the taxpayer for the taxable year 1942. In such a case relief from the liability for the taxable year 1942 is limited to an amount equal to a tentative tax computed as if the portion of the surtax net income for the taxable year, which is not greater than the sum of the surtax net income for the base year plus \$10,000, constituted both the surtax net income for the taxable year 1942 and the net income for such taxable year after allowance of all credits against net income. The effect of this provision is to limit the discharge of the 1942 liability to an amount of tax computed on an amount of surtax net income and net income equivalent to that of the base year plus \$10,000 computed at the 1942 rate rather than on the income for 1942. The amount of income on which the tentative tax is computed is composed of the same type of income as the income of the 1942 taxable year. Thus if the 1942 income consisted entirely of capital gains the tentative tax would be computed as a tax on capital gains. The excess of the 1942 tax over the tentative tax computed in this manner is discharged and the amount of such excess is added as part of the 1943 tax liability.

An example will illustrate the application of this provision. Taxpayer A had a surtax net income of \$5,000 for his base year. In 1942 he had a tax liability of \$13,002. For 1943 his tax, without regard to this section, amounted to \$14,000. His surtax net income for 1942 was \$30,000 and was composed entirely of dividends and interest. By taking the amount of his surtax net income for his base year of \$5,000 and adding to it the sum of \$10,000, a tentative tax for 1942 for income thus constituted would be \$4,680. Thus, the amount by which the tax for 1943 is increased is the difference between \$13,002 and \$4,680 or \$8,322.

The second situation covered in subsection (c) is one in which the tax for the taxable year 1942 (determined without regard to interest, additions to the tax and credits for amounts withheld at source), is equal to or greater than the tax for 1943 (similarly determined) and the surtax net income of the taxpayer for the base year plus \$10,000 is less than the surtax net income for the taxable year 1943. Where the tax for 1942 exceeds the tax for 1943, subsection (b) initially operates to increase the 1943 tax by the amount of the excess. In such a case the relief from liability for the taxable year 1942 is further limited by subsection (c) to an amount equal to a tentative tax computed as if the portion of the surtax net income for the 1943 taxable year which is not greater than the sum of the surtax net income for

the base year plus \$10,000, constituted both the surtax net income for the taxable year 1943 and the net income for such taxable year after allowance of all credits against net income. An additional factor is present when reference is had to 1943 as the year for measuring the relief owing to the fact that Victory tax is applicable to this year. It is necessary, therefore, in arriving at the tentative tax to compute a tentative Victory tax based on an amount determined by a ratio based upon relationships with respect to the types of 1943 incomes. Thus, the computation in this situation is similar to the computation made in the first situation covered, but the comparison between the surtax net income of the taxable years and the excess amount of tax over the tentative tax is based on the surtax net income of the 1943 year and the computation takes its particular form from the manner in which the income for 1943 is constituted. In this subsection it is also provided that in the event that there is included in the taxable year used as the measure of relief, income which, under section 107 of the Internal Revenue Code, is attributed to the base year selected by the taxpayer, such income shall be excluded in computing the surtax net income of the relief year and shall be included in computing the surtax net income for the base year.

Subsection (d) of section 6 of the Senate bill provides that at the election of the taxpayer made under regulations prescribed by the Commissioner with the approval of the Secretary, the time for the payment of the portion of the tax for 1943 equal to the increase occasioned by the application of subsection (c) shall be extended. If so extended such portion of the tax shall be paid in four equal installments, the first of which shall be paid on the fifteenth day of the fifteenth month following the close of the taxable year and one of the remaining three installments shall be paid on the last day of each succeeding 12-month period. It is provided that the Commissioner may condition this extension upon the furnishing of a bond not exceeding the amount of such increase with such surety or sureties as he may deem necessary. If the time is extended for payment of this portion of the tax, it is provided further in this subsection that there shall be collected as a part of the tax, interest in the amount of 4 percent per annum on each such installment from the date prescribed for the payment of the tax for the taxable year until the date on which such installment is paid or payable, whichever is the earlier. If any installment is not paid on or before the date on which it is payable, it and the remaining installments shall be paid upon notice and demand from the collector and interest at the rate of 6 percent per annum is to be collected from the payable date until the date of payment.

Subsection (e) of the Senate bill provides special rules for the application of subsections (b) and (c) and requires that in computing the tax for the taxable year 1943, the credit for foreign tax shall be determined without regard to any increase in the 1943 tax by reason of subsections (b) and (c). It further provides that in applying sections 105, 106, and 107 of the Internal Revenue Code (relating to limitations on tax) any increase in the tax occasioned by subsections (b) and (c) shall likewise be disregarded. This subsection also contains a provision for the computation of the increase in tax under either subsection (b) or (c) where a joint return is made by a taxpayer to whom either one of the subsections apply. The rule is stated that the taxes of the spouses of the taxable year for which a joint return is not made shall be aggregated for the purposes of subsections (b) and (c), and, in addition, provides that if the taxable year for which a joint return is not made is the taxable year 1943, the liability for the increase in

the tax under subsections (b) and (c) shall be joint and several.

In the Senate bill subsection (f) of section 6 provides that subsection (a) shall not apply to an individual who died during the taxable year 1942. Thus, no amount of the tax liability of such a person is discharged.

Subsection (g) of section 6 of the Senate bill provides for the treatment of payments made on account of the 1942 tax. Any payment (other than interest and additions to the tax) made on account of the tax imposed by chapter I of the Internal Revenue Code for the taxable year 1942 upon a taxpayer whose liability is discharged under subsection (a) is considered as payment on account of the estimated tax for 1943. Where any payment of such tax is made pursuant to an extension of time granted by the Commissioner prior to September 1, 1943, such payment is likewise treated as a payment of estimated tax for 1943 and is required to be paid despite the fact that the provisions discharging the tax liability are effective as of September 1, 1943. If the taxpayer should become delinquent prior to September 1 in the payment of his tax or any installment, the fact that the liability for 1942 tax is discharged as of that date is specifically provided as not relieving the taxpayer of his liability for the tax. Such payment, however, is to be treated as a timely payment would be, namely, as a payment on account of estimated tax liability for 1943. The effect of this subsection is to require taxpayers who have elected to pay in installments to continue undiminished their payments on account of 1942 tax liability for all installments which would be due before September 1, 1943. In the event of an extension of time or of delinquency occurring before September, the legal consequences resulting are no different from what they would be under existing law and only after the payments for which time has been extended or which have become delinquent have been paid, do such payments take the character of payments on account of estimated tax for 1943. This subsection further contains the rule that if any payment on account of the tax for 1942 is made pursuant to a joint return, the payment may be treated as a payment on account of the estimated tax of either the husband or the wife or may be divided between them.

Subsection (h) of section 6 of the Senate bill contains the definition of the term "taxable year" when used in reference to the years 1938, 1939, 1940, 1942, or 1943 in the section. It provides that the term means the taxable year beginning in such enumerated year. When used in conjunction with 1942 or 1943 it does not mean any taxable year of less than 12 months, unless such short year is occasioned by the death of the taxpayer or unless there is no taxable year of 12 months beginning in the calendar year. Thus there will be no relief from the tax liability with respect to the short taxable year 1942 where a taxpayer effects a change from a calendar- to a fiscal-year basis but the 12-month fiscal year beginning in 1942 will be the year for which tax is discharged.

Conference Amendment

The conference amendment retains with the following changes the provisions of the Senate bill with respect to relief from double payments in 1943:

In place of the 100 percent discharge of tax liability for most taxpayers, the committee of conference adopted the policy of 75 percent discharge of such liabilities where the total liability is in excess of \$50. As in the Senate bill, even though the effect be to discharge only 75 percent of the tax liability of the lower of 1942 or 1943, for administrative reasons the entire 1942 tax liability is discharged and the 1943 tax liability is increased by the 25 percent of tax with respect to which no relief is granted. Thus, in the

case of taxpayers whose tax for 1942 is not greater than that for 1943, section 6 (a) of the bill, as agreed to in conference, provides that the 1942 tax shall be completely discharged but that the 1943 tax shall be increased by an amount equal to 25 percent of such tax for 1942. Where, however, the tax liability of the individual for 1942 is \$50 or less, the entire amount of the tax is discharged and the 1943 liability is not increased. In order to prevent inequity to persons whose tax liability only slightly exceeds \$50, it is further provided that the tax for 1943 shall be increased by 25 percent of the amount of the tax or the excess of the tax liability over \$50, whichever is the lesser.

The conference amendment brings into the system of current collection of income tax, by imposing the requirement for filing declarations, etc., those nonresident aliens who are residents of contiguous countries and who enter and leave this country at frequent intervals by reason of being employed in this country. Such individuals are subject to withholding provisions applicable to citizens on their wages earned in this country (except where the withholding is specifically made inapplicable by regulations), and such individuals file returns under existing law in the same manner as citizens. In order, therefore, that these individuals should not be required to double up in their payments of tax to this country, they are included in the provisions of section 6 of the bill, discharging tax liability for the taxable year 1942. Since the fixed income from investments of such persons is withheld on at the source currently under existing law, the discharge of tax liability applicable to such persons as in the case of all other persons is measured in the terms of tax imposed under chapter 1, which means, as it does throughout the law (unless specifically stated otherwise), the net tax liability after credits against the tax.

As in the Senate bill, subsection (b) of section 6 provides that the amount of tax liability in effect discharged shall be measured by the 1943 tax liability in cases in which that liability is less than the 1942 tax liability. As in the Senate bill, in this case the 1942 tax liability is technically discharged and any excess of the 1942 over the 1943 tax liability is added to the 1943 tax liability. In such a case the additional 25 percent of tax, or excess of tax liability over \$50, whichever is the lesser, which is added to the 1943 tax, is computed on the lesser amount of tax liability, namely, that for 1943. For example, under the conference amendment a person whose tax for 1942 was \$1,000, and for 1943 was \$800, would be liable for a 1943 tax in the amount of \$1,200 (\$800 plus \$200 plus 25 percent of \$800), and his 1942 tax would be discharged.

The comparison to determine whether the 1942 or the 1943 tax liability is the greater is made on the basis of tax liability before the application of credits against the tax for amounts withheld at source. Where the 1942 tax liability is not greater than that for 1943, the 25-percent increase is determined on the basis of the tax imposed (i. e., net tax liability after credits) for 1942. For the purposes of determining the amount of the increase in the 1943 tax liability where the 1942 tax liability is greater, the tax imposed (i. e., net tax liability after credits) for 1942 is used with respect to the year 1942 and the tax imposed plus the credits for tax withheld at source under sections 466 (e) and 35 of the code is used with respect to the year 1943. The difference in the two taxes so determined is the increase to be added. For the purpose of determining the amount of the 25-percent increase in the 1943 tax in such a case, the tax imposed for 1943 plus the credits for tax withheld at source under sections 466 (e) and 35 are used.

The conference amendment recognizes that, in the case of a nonresident alien or a

person holding substantial amounts of tax free covenant bonds, there might be a situation where an individual's tax before credits for tax withheld at source for 1942 would exceed his tax for 1943 similarly determined, but the tax imposed for 1942 would be less than his tax imposed for 1943 plus credits for withheld tax on wages under sections 35 and 466 (e), so that there would be no excess of 1942 tax liability over 1943 tax liability. In such a case the conference amendment limits the 25-percent increase in the 1943 tax to 25 percent of the net tax for 1942, or the excess of such tax over \$50, whichever is the lesser. This limitation is necessary to achieve the result that the measure of discharge of tax liability shall be the tax liability of the year in which the lesser tax is imposed.

The conference amendment makes some changes in the treatment of cases of increased incomes found in subsection (c) of section 6 of both the Senate bill and the bill as agreed to in conference. The taxable year 1937 is added to the years from which the taxpayer may select his base year. In addition, it is provided that \$20,000, instead of \$10,000, is to be added to the surtax net income of the base year in computing the tentative tax which is the limit of discharge of tax liability. If the tentative tax so computed is less than 75 percent of the tax liability for the year which is the measure of relief, the excess of such 75 percent of tax liability over the amount of tentative tax is made an additional increase in the 1943 tax.

By reason of a technical rearrangement, special rules for the application of the provisions relating to discharge of tax liability are to be found in subsection (d) of section 6 of the bill as agreed to in conference rather than in subsection (e) of that section as in the Senate bill. These rules in addition to the points discussed hereafter relate to: (1) The application to the taxable year 1943 of the foreign tax credit (paragraph (3)); (2) the application to the taxable year 1943 of the limitations on tax rate effected by sections 105, 106, and 107 of the code (paragraph (3)); and (3) the rule to be followed in the case where joint and separate returns are made by a husband and wife for the taxable years 1942 and 1943 respectively, or vice versa (paragraph (2)).

In addition, as a further technical rearrangement, there is included in paragraph (1) of subsection (d) the rule found in subsection (b) of section 6 of the Senate bill excepting from the increase in the 1943 tax the excess of the 1942 tax over the 1943 tax to the extent attributable to earned net income in the case of persons who were members of the armed forces during 1942 or 1943. In the Senate bill this exception was applicable to a member of the military or naval forces of the United States. The conference amendment makes this exception applicable also to a member of the armed forces of any of the United Nations. Instead of the use of the phrase "attributable to earned net income" in the Senate bill, the conference amendment excepts from the increase "an amount equal to the amount by which the tax for taxable year is increased by reason of the inclusion in the net income for the taxable year 1942 of the amount of the earned net income." This change is designed to make certain that the earned net income in this respect is to be taken out of the upper tax brackets.

The conference amendment likewise incorporates, as paragraph (7) of subsection (d) of section 6, subsection (f) of section (6) of the Senate bill providing no discharge of tax liability in case of persons who died in 1942. There is also incorporated, as paragraph (4), the provision in subsection (e) of section (6) of the Senate bill relating to the treatment of section 107 income in cases to which subsection (c) is applicable.

The conference amendment adds to subsection (d) of section (6), as paragraph (6), an additional rule for the application of subsection (c). This rule provides that if during the base year of an individual, such individual was a shareholder in a corporation and if substantially all of the assets of the corporation were acquired by such individual or a partnership of which he is a member pursuant to complete liquidation of the corporation at any time prior to May 1, 1943, and if at all times after the liquidation up to and including whichever of the 2 taxable years, 1942 or 1943, is the measure of discharge of the taxpayer's liability, the trade or business of the corporation was carried on by the individual or partnership, the individual may compute his surtax net income of the base year as if the earnings and profits of the corporation for taxable year ending with or within the base year had all been distributed as dividends at the end of such taxable year. The individual's distributive share of these hypothetical dividends is limited to his proportionate share in the partnership during the taxable year used as the measure of his discharge of tax liability if such interest is proportionately less than his interest in the corporation.

Subsection (d) of section 6, in paragraph (6), provides that the 25 percent increase in 1943 tax required under subsections (a) or (b) (2), or the additional increase under subsection (c), shall not be considered to be a part of the tax for the taxable year 1943 for the purposes of the estimated tax provisions. Thus these increases would for the first time be reflected in the annual returns filed in 1944. A similar provision was incorporated in subsection (c) of section 6 of the Senate bill with respect to the subsection (c) increase.

The conference amendment incorporates in paragraph (2) of subsection (e) of section 6, the rule with respect to granting extension of time for the payment of any increase in 1943 tax resulting from the application of subsection (c). The substance of this provision is the same as that found in the Senate bill in subsection (d) of this section. Paragraph (1) of subsection (e) under the conference amendment contains provisions for the extension of time for payment of the 25 percent increase resulting from the application of subsections (a) and (b) (2). This paragraph provides that at the election of the taxpayer, the Commissioner shall extend the time for payment of the portion of the tax for the taxable year 1943 equal to one-half of the amount of the 25 percent increase under subsection (a) or (b) (2). The time for payment of this one-half is extended to the fifteenth day of the fifteenth month following the close of the taxable year. As in the case of the increase under subsection (c), the Commissioner may condition the extension upon the furnishing by the taxpayer of a bond not exceeding the amount with respect to which the extension applies, with such surety or sureties as he may deem necessary, conditioned upon the payment of the amount in accordance with the terms of the extension. If the amount is not paid on or before the date on which it is payable as a result of the extension, it is to be paid on notice and demand from the collector; and if not paid on the payable date, interest at the rate of 6 percent per annum is to be collected as a part of the tax on the amount for which the extension was granted for the period beginning with the date on which this amount is payable and ending on the date on which it is paid.

By reason of the technical rearrangement, the conference amendment includes, with minor technical changes, in subsection (f) of section 6 the substance of the provisions found in subsection (g) of section 6 of the Senate bill. This subsection relates to the treatment of payments on account of the 1942 tax.

Under the conference amendment subsection (g) incorporates the provisions of subsection (h) of section 6 of the Senate bill.

The conference amendment adds a new subsection (h) providing that the entire section 6 shall be applied in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

ADDITIONAL ALLOWANCE FOR MILITARY AND NAVAL PERSONNEL

Description of the House and Senate Bills

Section 22 (b) (13) of the code makes provision for an exclusion from gross income in the case of personnel below the grade of commissioned officer in the military and naval forces of the United States. The amount to be excluded under this provision is not to exceed \$250 in the case of a single person and \$300 in the case of a married person or head of a family and applies only to salary or compensation received for active service in the armed forces during the present war.

The House bill would amend section 22 (b) (13) of the code to effect an exclusion from gross income in the case of military and naval personnel, without distinction as to rank, with respect to the compensation received during any taxable year and before the termination of the present war as proclaimed by the President for active service during such war. The amount to be so excluded would not exceed the excess of \$3,500 over the personal exemption claimed under section 25 (b) of the code.

The Senate bill amends section 22 (b) (13) to provide for a flat exclusion of \$1,500 from gross income in the case of all military and naval personnel, without distinction as to rank, with respect to such compensation. The amount of such exclusion is not to be reduced by the personal exemption claimed under section 25 (b) of the code.

The amendment would apply only with respect to taxable years beginning after December 31, 1942, and not, as under the House bill, with respect to all compensation received after December 31, 1941, by a member of the military or naval forces of the United States for active service in such forces.

Conference Amendment

The conference amendment adopts the provisions of the Senate bill, but extends the application of those provisions to a member of the military or naval forces of any of the other United Nations. The provision will therefore cover such individuals as well as members of the military or naval forces of the United States.

ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES UPON DEATH

Description of the House and Senate Bills

Under the House bill supplement U is added to chapter 1 of the code to relieve a member of the military or naval forces of the United States who dies on or after December 7, 1941, in active service from the liability for the tax imposed by chapter 1 for the taxable year in which falls the date of his death. In addition thereto, the supplement provides that any tax imposed under chapter 1 or under the corresponding title of any prior revenue act (including interest and additions to the tax) which is unpaid as of the date of death shall not be assessed. If any such tax, interest, or additions to the tax have been assessed and are unpaid at the date of death, such assessment or assessments shall be abated. If the amount of any such liability which was unpaid as of the date of death is collected subsequent to such date, the amount so collected shall be credited or refunded as an overpayment.

The Senate bill revised the House version of this new supplement to limit the relief granted therein to that portion of the income taxes which is attributable to earned net income as defined in section 25 (a) (4) of the code. In addition, the taxes in respect

to which such relief is granted are limited, in general, to those which would have become due and payable after the date when such individual entered upon active service in such forces or the effective date of the Selective Service Act (September 16, 1940) whichever date is the later, assuming that such member paid, or would have paid, his taxes in quarterly installments to the extent provided for in the code. If the liability for the portion of such taxes which is attributable to earned net income is outstanding at the date of death, the liability shall be abated. If such portion of the taxes has been paid at any time, the amount paid shall be credited or refunded as an overpayment.

To effectuate this policy, the Senate bill classifies such deceased members of the armed forces into three groups according to the year in which they entered upon active duty in such forces, and states with respect to each group those taxes (or the portions thereof) of which the members of the group are to be relieved. This classification was made necessary by reason of the transition in the year 1943 to a current tax basis.

The first category applies to those who entered upon such service before the commencement of the taxable year beginning in 1943. The taxes to be abated, credited, or refunded to members in this group are (1) the tax attributable to earned net income for the taxable year in which falls the date on which he entered upon such service or September 16, 1940, whichever date is the later; (2) the tax attributable to earned net income for all subsequent taxable years while he was in such service; and (3) for the taxable year last preceding the date on which he entered upon such service or September 16, 1940, whichever date is the later, that portion of the tax for such preceding year attributable to earned net income which bears the same ratio to the entire tax so attributable as the number of quarters in the taxable year referred to in (1) subsequent to the date on which he entered upon such service or September 16, 1940, whichever date is the later, bears to 4. Thus, for example, if the individual (on a calendar-year basis) enters the service on July 1, 1942, he would be exempt from the tax attributable to his earned net income for the year 1942, for all subsequent years in the service and for one-half of the tax so attributable for the calendar year 1941. If he entered the service on July 1, 1940, he would be exempt from such tax for 1940 and subsequent years in service and for one-fourth of such tax for 1939.

The second category consists of those members of the armed forces who entered upon such service in the taxable year beginning in 1943. The taxes to be abated, credited, or refunded in respect of this class are: (1) that portion of the tax for the taxable year beginning in 1943 (not including the increase in such tax prescribed by the "wind-fall" provision contained in section 6 (c) of the Senate bill), which bears the same ratio to the total tax (not including such increase) as the number of quarters in such taxable year subsequent to the date on which he entered upon such service bears to four, to the extent such portion is attributable to earned net income; and (2) the tax attributable to earned net income for all subsequent taxable years during which he was in such service.

The third category is made up of those members who entered upon such service after the end of the taxable year beginning in 1943. The taxes to be abated, credited, or refunded in respect of this group are all the taxes which are attributable to earned net income for the taxable years during which they were in such service but not including the taxable year during which they entered upon such service.

In computing the tax to be abated, credited, or refunded under (3) of the first category and (1) of the second category, a frac-

tional part of a quarter subsequent to the date on which he entered upon such service or September 16, 1940, whichever date is the later, shall be disregarded unless it exceeds 15 days, in which case it shall be considered a quarter.

CONFERENCE AMENDMENT

The conference amendment adopts the provisions of the House bill, but extends the application of those provisions to a member of the military or naval forces of any of the other United Nations. The provisions will therefore cover such individuals as well as members of the military or naval forces of the United States.

Assistant Commissioners

Section 9 of the Senate bill amends the Internal Revenue Code to authorize the appointment of two Assistant Commissioners, who shall be appointed by the President, by and with the advice and consent of the Senate. The amendment provides that the Assistant Commissioners shall perform such duties as may be prescribed by the Commissioner or required by law. There was no comparable provision in the House bill. The conference amendment retains this provision.

Powers of Appointment

Section 10 of the Senate bill extends the time in connection with the release of powers of appointment for estate and gift tax purposes from July 1, 1943, to March 1, 1944. There was no comparable provision in the House bill. The conference amendment retains this provision.

R. L. DOUGHTON,
HAROLD KNUTSON,
DANIEL A. REED,
THOMAS A. JENKINS.

Managers on the Part of the House.

ADJOURNMENT

Mr. GORE. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 2 o'clock and 26 minutes p. m.) the House, pursuant to its previous order, adjourned until Tuesday, June 1, 1943, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE OF PUBLIC BUILDINGS AND GROUNDS (Tuesday, June 1, 1943)

There will be a meeting of the committee at 10 a. m. on Tuesday, June 1, 1943, for consideration of housing bills, in room 1304, New House Office Building.

COMMITTEE ON ROADS

(Tuesday, June 1, 1943)

There will be a hearing of the Committee on Roads on Tuesday, June 1, 1943, at 10:30 a. m., for the consideration of H. R. 2241.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

(Wednesday, June 2, and Thursday, June 3, 1943)

The Committee on Immigration and Naturalization will hold hearings at 10 a. m. on Wednesday, June 2, and Thursday, June 3, 1943, on bills dealing with the Chinese Exclusion Act—H. R. 1882 and H. R. 2309.

COMMITTEE ON FLOOD CONTROL

(Revised schedule of hearings daily at 10 a. m. on flood-control bill of 1943, beginning Tuesday, June 1, 1943)

The Flood Control Committee will conduct hearings on flood-control reports submitted by the Chief of Engineers since

the passage of the Flood Control Act of August 18, 1941, and on amendments to existing law. Flood-control projects for post-war construction will be among the most satisfactory public works, and the committee plans an adequate backlog of sound flood-control projects available for construction following the war.

1. Tuesday, June 1, Maj. Gen. Eugene Reybold, Chief of Engineers, will open the hearings with any statements and recommendations he desires to submit covering national flood control and the projects that should be included in the bill to be reported, especially as they are related to national defense and as they will be important following the existing war to provide sound flood-control projects and desirable public works. General Reybold is now on an airplane tour of inspection of the flood areas and will submit a first-hand report covering recent major floods along the Missouri, Arkansas, White, Mississippi, Illinois, Wabash, Ohio, and other rivers in the recent flood areas. He will be followed by Gen. Thomas M. Robins, Assistant Chief of Engineers, who has previously advised the Flood Control Committee during hearings and who will also appear before the committee and submit his views and discuss generally the projects that have been favorably reported since the hearings were conducted on H. R. 4911, Seventy-seventh Congress, first session, reported on June 9, 1941, which became the Flood Control Act of August 18, 1941. Col. George R. Goethals, Chief of the Flood Control Branch Office of Chief of Engineers, will attend the hearings and will furnish to the members of the committee in detail any and all available information respecting the said projects on which favorable reports have been submitted by the Chief of Engineers.

The district engineers and the division engineers have furnished to the Chief of Engineers data and information respecting major floods since August 18, 1941, and particularly with respect to recent major floods in the various drainage basins of the country, which will be submitted to the committee.

2. Wednesday, June 2: General Reybold, General Robins, Colonel Goethals, other representatives of the Office of Chief of Engineers, and proponents on projects for the New England region, including the Connecticut and Merrimac Rivers, and the Middle Atlantic region, including New York, Pennsylvania, and New Jersey.

3. Thursday, June 3: General Reybold, General Robins, Colonel Goethals, other representatives of the Office of Chief of Engineers, and proponents on projects in the upper and lower Ohio River and tributaries, and on projects of the South Atlantic region, including rivers flowing into the Atlantic Ocean and Gulf of Mexico east of the Mississippi River.

4. Friday, June 4: General Reybold, General Robins, Colonel Goethals, other representatives of the Office of Chief of Engineers, and proponents on projects along the Missouri River and tributaries and the upper Mississippi River and the Great Lakes region.

5. Tuesday, June 8: General Reybold, General Robins, Colonel Goethals, other representatives of the Office of Chief of Engineers, and proponents on projects in the lower Mississippi River and tributaries, including the Arkansas and White Rivers, and on rivers flowing into the Gulf west of the Mississippi River, and in the western Rocky Mountain region, including Texas and Colorado, and in the Pacific Northwest region, including the Willamette River and the Columbia River and tributaries.

6. Wednesday, June 9: General Reybold, General Robins, Colonel Goethals, other representatives of the Office of Chief of Engineers, and proponents on projects in the Los Angeles area and in the State of California, including the Sacramento, San Joaquin, and Kern River Valleys, and on projects in other regions and in other parts of the United States.

7. Thursday, June 10: Representatives of the Department of Agriculture and the Bureau of Reclamation, and other governmental agencies.

8. Friday, June 11: Senators and Representatives of Congress.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

(Thursday, June 10, 1943)

The Committee on the Merchant Marine and Fisheries will hold a public hearing on Thursday, June 10, 1943, at 10 o'clock a. m., on H. R. 2731, to facilitate the award and payment of just compensation for property requisitioned under the authority of section 902 (a) of the Merchant Marine Act, 1936, as amended, and for other purposes.

COMMITTEE ON THE JUDICIARY

(Wednesday, June 16, 1943)

Subcommittee No. 1 of the Committee on the Judiciary will conduct hearings on H. R. 2620, a bill to provide for a Delegate from the District of Columbia to the House of Representatives of the United States, and for other purposes, at 10 a. m. on Wednesday, June 16, 1943, in room 346, Old House Office Building, Washington, D. C.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. BLAND: Committee on the Merchant Marine and Fisheries. H. R. 2750. A bill to amend section 353 (b) of the Communications Act of 1934, as amended; without amendment (Rept. No. 509). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ROBSON of Kentucky:
H. R. 2828. A bill to permit certain burials in the Scottish Rite Temple in the District of Columbia; to the Committee on the District of Columbia.

CURRENT TAX PAYMENT ACT OF 1943

MAY 28, 1943.—Ordered to be printed

Mr. DOUGHTON, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 2570]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

That (a) this Act may be cited as the "Current Tax Payment Act of 1943".

(b) MEANING OF TERMS USED.—Except as otherwise expressly provided, terms used in this Act shall have the same meaning as when used in the Internal Revenue Code.

SEC. 2. COLLECTION OF TAX AT SOURCE ON WAGES.

(a) IN GENERAL.—Chapter 9 of the Internal Revenue Code (relating to employment taxes) is amended by inserting at the end thereof the following new subchapters:

"SUBCHAPTER D—COLLECTION OF INCOME TAX AT SOURCE ON WAGES

"SEC. 1621. DEFINITIONS.

"As used in this subchapter—

"(a) WAGES.—The term 'wages' means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any



medium other than cash; except that such term shall not include remuneration paid—

“(1) for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay includible in gross income under Chapter 1, or

“(2) for agricultural labor (as defined in section 1426 (h)), or

“(3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, or

“(4) for casual labor not in the course of the employer's trade or business, or,

“(5) for services by a citizen or resident of the United States for a foreign government or for the government of the Commonwealth of the Philippines, or

“(6) for services performed by a nonresident alien individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals, or

“(7) for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary, or

“(8) for services for an employer performed by a citizen or resident of the United States while outside the United States (as defined in section 3797 (a) (9)) if the major part of the services for such employer during the calendar year is to be performed outside the United States, or

“(9) for services performed as a minister of the gospel.

For the purpose of paragraph (8) services performed on or in connection with an American vessel (as defined in section 1426 (g)) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration, shall not constitute services performed outside the United States.

“(b) **PAYROLL PERIOD.**—The term ‘payroll period’ means a period for which a payment of wages is ordinarily made to the employee by his employer, and the term ‘miscellaneous payroll period’ means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

“(c) **EMPLOYEE.**—The term ‘employee’ includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term ‘employee’ also includes an officer of a corporation.

“(d) **EMPLOYER.**—The term ‘employer’ means the person for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that—

“(1) if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term ‘employer’ (except for the purposes of subsection (a)) means the person having control of the payment of such wages; and

"(2) in the case of a person paying wages on behalf of a non-resident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, the term 'employer' (except for the purposes of subsection (a)) means such person.

"(e) **SINGLE PERSON.**—The term 'single person' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that such person is single, or is married and not living with husband or wife, and is not the head of a family.

"(f) **MARRIED PERSON.**—The term 'married person' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is married and living with husband or wife.

"(g) **MARRIED PERSON CLAIMING ALL OF PERSONAL EXEMPTION FOR WITHHOLDING.**—The term 'married person claiming all of personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims all of the personal exemption and that for the purposes of this subchapter his spouse is claiming none of the personal exemption.

"(h) **MARRIED PERSON CLAIMING HALF OF PERSONAL EXEMPTION FOR WITHHOLDING.**—The term 'married person claiming half of the personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims half of the personal exemption and that for the purposes of this subchapter his spouse is claiming not more than half of such exemption.

"(i) **MARRIED PERSON CLAIMING NONE OF PERSONAL EXEMPTION FOR WITHHOLDING.**—The term 'married person claiming none of the personal exemption for withholding' means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) making no claim with respect to the personal exemption for the purposes of this subchapter.

"(j) **HEAD OF FAMILY.**—The term 'head of a family' means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is the head of a family.

"(k) **DEPENDENT.**—The term 'dependent' means a person included in a withholding exemption certificate in effect under section 1622 (h) as a person dependent upon and receiving his chief support from the employee and either under eighteen years of age or incapable of self-support because mentally or physically defective.

'SEC. 1622. INCOME TAX COLLECTED AT SOURCE.

"(a) **REQUIREMENT OF WITHHOLDING.**—Every employer making payment of wages shall deduct and withhold upon such wages a tax equal to the greater of the following:

"(1) 20 per centum of the excess of each payment of such wages over the family status withholding exemption allowable under subsection (b) (1) (A), or

"(2) 3 per centum of the excess of each payment of such wages over the Victory tax withholding exemption allowable under subsection (b) (1) (B).

"(b) WITHHOLDING EXEMPTION.—

"(1) In computing the tax required to be deducted and withheld under subsection (a), there shall be allowed as a withholding exemption with respect to the wages paid for each payroll period—

"(A) in computing the tax required to be deducted and withheld under subsection (a) (1), a family status withholding exemption determined in accordance with the following schedule:

"Family Status Withholding Exemption

"Payroll period	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent, other than the first dependent in the case of the head of a family
<i>Weekly</i>	\$12	\$24	\$12	0	\$3
<i>Biweekly</i>	\$24	\$48	\$24	0	\$12
<i>Semimonthly</i>	\$26	\$52	\$26	0	\$13
<i>Monthly</i>	\$52	\$104	\$52	0	\$26
<i>Quarterly</i>	\$156	\$312	\$156	0	\$78
<i>Semiannual</i>	\$312	\$624	\$312	0	\$156
<i>Annual</i>	\$624	\$1,248	\$624	0	\$312
<i>Daily or miscellaneous (per day of such period)</i>	\$1.70	\$3.40	\$1.70	0	\$3.85

"(B) in computing the tax required to be deducted and withheld under subsection (a) (2), a Victory tax withholding exemption determined in accordance with the following schedule:

"Payroll Period	Victory Tax Withholding Exemption
<i>Weekly</i>	\$12.00
<i>Biweekly</i>	24.00
<i>Semimonthly</i>	26.00
<i>Monthly</i>	52.00
<i>Quarterly</i>	156.00
<i>Semiannual</i>	312.00
<i>Annual</i>	624.00
<i>Daily or Miscellaneous (per day of such period)</i>	1.70

"(2) If wages are paid with respect to a period which is not a payroll period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days (including Sundays and holidays) equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any payroll period or other period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than one week, the Commis-

sioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer, in computing the tax required to be deducted and withheld, to use the excess of the aggregate of the wages paid to the employee during the calendar week over the withholding exemption allowed by this subsection for a weekly payroll period.

"(5) In determining the amount to be deducted and withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

"(c) *WAGE BRACKET WITHHOLDING.*—

"(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a):

CURRENT TAX PAYMENT ACT OF 1943

If the payroll period with respect to an employee is weekly

		And, (1) such person is a married person claiming none of personal exemption for withholding and has—											
And the wages are		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents		
At least	But less than	Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (3) such person is a single person and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents					
		Or, (5) such person is head of a family and has—											
		No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
		The amount of tax to be withheld shall be—											
		\$0	\$10	\$1.00									
10	15	2.60	\$1.30	\$0.10									
15	20	3.60	2.30	1.10	\$0.20								
20	25	4.60	3.30	2.10	.90	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20		
25	30	5.60	4.30	3.10	1.90	.70	.50	.50	.50	.50	.50		
30	40	7.00	5.80	4.60	3.40	2.20	1.00	.70	.70	.70	.70		
40	60	9.00	7.80	6.60	5.40	4.20	3.00	1.80	1.00	1.00	1.00		
50	60	11.00	9.80	8.60	7.40	6.20	5.00	3.80	2.60	1.40	1.50		
60	70	13.00	11.80	10.60	9.40	8.20	7.00	5.80	4.60	3.40	2.20		
70	80	15.00	13.80	12.60	11.40	10.20	9.00	7.80	6.60	5.40	4.20		
80	90	17.00	15.80	14.60	13.40	12.20	11.00	9.80	8.60	7.40	6.20		
90	100	19.00	17.80	16.60	15.40	14.20	13.00	11.80	10.60	9.40	8.20		
100	110	21.00	19.80	18.60	17.40	16.20	15.00	13.80	12.60	11.40	10.20		
110	120	23.00	21.80	20.60	19.40	18.20	17.00	15.80	14.60	13.40	12.20		
120	130	25.00	23.80	22.60	21.40	20.20	19.00	17.80	16.60	15.40	14.20		
130	140	27.00	25.80	24.60	23.40	22.20	21.00	19.80	18.60	17.40	16.20		
140	150	29.00	27.80	26.60	25.40	24.20	23.00	21.80	20.60	19.40	18.20		
150	160	31.00	29.80	28.60	27.40	26.20	25.00	23.80	22.60	21.40	20.20		
160	170	33.00	31.80	30.60	29.40	28.20	27.00	25.80	24.60	23.40	22.20		
170	180	35.00	33.80	32.60	31.40	30.20	29.00	27.80	26.60	25.40	24.20		
180	190	37.00	35.80	34.60	33.40	32.20	31.00	29.80	28.60	27.40	26.20		
190	200	39.00	37.80	36.60	35.40	34.20	33.00	31.80	30.60	29.40	28.20		
\$200 or over		20% of the excess over \$200 plus											
		\$40.00	\$58.80	\$37.60	\$36.40	\$35.20	\$34.00	\$32.80	\$31.60	\$30.40	\$29.20		

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$1.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents		
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—									
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents		
				Or, (3) such person is a single person and has—									
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents		
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—									
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents		
				Or, (5) such person is head of a family and has—									
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents				
				The amount of tax to be withheld shall be—									
\$0	\$20	\$2.00											
30	5.00	\$2.60	\$0.20										
40	7.00	4.60	2.20	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30			
50	9.00	6.60	4.20	1.80	.60	.60	.60	.60	.60	.60			
60	11.00	8.60	6.20	3.80	1.40	.90	.90	.90	.90	.90			
80	14.00	11.60	9.20	6.80	4.40	2.00	1.40	1.40	1.40	1.40			
100	18.00	15.60	13.20	10.80	8.40	6.00	3.60	2.00	2.00	2.00			
120	22.00	19.60	17.20	14.80	12.40	10.00	7.60	5.20	2.80	2.80			
140	26.00	23.60	21.20	18.80	16.40	14.00	11.60	9.20	6.80	4.40			
160	30.00	27.60	25.20	22.80	20.40	18.00	15.60	13.20	10.80	8.40			
180	34.00	31.60	29.20	26.80	24.40	22.00	19.60	17.20	14.80	12.40			
200	38.00	35.60	33.20	30.80	28.40	26.00	23.60	21.20	18.80	16.40			
220	42.00	39.60	37.20	34.80	32.40	30.00	27.60	25.20	22.80	20.40			
240	46.00	43.60	41.20	38.80	36.40	34.00	31.60	29.20	26.80	24.40			
260	50.00	47.60	45.20	42.80	40.40	38.00	35.60	33.20	30.80	28.40			
280	54.00	51.60	49.20	46.80	44.40	42.00	39.60	37.20	34.80	32.40			
300	58.00	55.60	53.20	50.80	48.40	46.00	43.60	41.20	38.80	36.40			
320	62.00	59.60	57.20	54.80	52.40	50.00	47.60	45.20	42.80	40.40			
340	66.00	63.60	61.20	58.80	56.40	54.00	51.60	49.20	46.80	44.40			
360	70.00	67.60	65.20	62.80	60.40	58.00	55.60	53.20	50.80	48.40			
380	74.00	71.60	69.20	66.80	64.40	62.00	59.60	57.20	54.80	52.40			
400	78.00	75.60	73.20	70.80	68.40	66.00	63.60	61.20	58.80	56.40			
\$400 or over		20% of the excess over \$400 plus											
		\$80.00	\$77.60	\$75.20	\$72.80	\$70.40	\$68.00	\$65.60	\$63.20	\$60.80	\$58.40		

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.40 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

CURRENT TAX PAYMENT ACT OF 1943

If the payroll period with respect to an employee is semimonthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (5) such person is head of a family and has—											
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of tax to be withheld shall be—											
				\$0	20	\$2.00									
20	30	5.00	\$2.40												
30	40	7.00	4.40	\$1.80	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30				
40	50	9.00	6.40	3.80	1.20	.60	.60	.60	.60	.60	.60				
50	60	11.00	8.40	6.80	3.20	.90	.90	.90	.90	.90	.90				
60	80	14.00	11.40	8.80	6.20	3.60	1.90	1.30	1.30	1.30	1.30				
80	100	18.00	15.40	12.80	10.20	7.60	5.00	2.40	1.90	1.90	1.90				
100	120	22.00	19.40	16.80	14.20	11.60	9.00	6.40	3.80	2.50	2.50				
120	140	26.00	23.40	20.80	18.20	15.60	13.00	10.40	7.80	6.20	6.20				
140	160	30.00	27.40	24.80	22.20	19.60	17.00	14.40	11.80	9.20	9.20				
160	180	34.00	31.40	28.80	26.20	23.60	21.00	18.40	15.80	13.20	13.20				
180	200	38.00	35.40	32.80	30.20	27.60	25.00	22.40	19.80	17.20	17.20				
200	220	42.00	39.40	36.80	34.20	31.60	29.00	26.40	23.80	21.20	21.20				
220	240	46.00	43.40	40.80	38.20	35.60	33.00	30.40	27.80	25.20	25.20				
240	260	50.00	47.40	44.80	42.20	39.60	37.00	34.40	31.80	29.20	29.20				
260	280	54.00	51.40	48.80	46.20	43.60	41.00	38.40	35.80	33.20	33.20				
280	300	58.00	55.40	52.80	50.20	47.60	45.00	42.40	39.80	37.20	37.20				
300	320	62.00	59.40	56.80	54.20	51.60	49.00	46.40	43.80	41.20	41.20				
320	340	66.00	63.40	60.80	58.20	55.60	53.00	50.40	47.80	45.20	45.20				
340	360	70.00	67.40	64.80	62.20	59.60	57.00	54.40	51.80	49.20	49.20				
360	380	74.00	71.40	68.80	66.20	63.60	61.00	58.40	55.80	53.20	53.20				
380	400	78.00	75.40	72.80	70.20	67.60	65.00	62.40	59.80	57.20	57.20				
\$400 or over		20% of the excess over \$400 plus													
		\$80.00	\$77.40	\$74.80	\$72.20	\$69.60	\$67.00	\$64.40	\$61.80	\$59.20	\$56.60				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.60 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

		And, (1) such person is a married person claiming none of personal exemption for withholding and has—											
And the wages are		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents		
At least	But less than	Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (3) such person is a single person and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (5) such person is head of a family and has—											
		No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
		The amount of tax to be withheld shall be—											
		\$0	\$40	\$4.00									
40	80	9.00	\$3.80										
80	120	14.00	5.80	\$0.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10		
120	160	19.00	7.80	2.60	.40	.40	.40	.40	.40	.40	.40		
160	200	24.00	9.80	4.60	.70	.70	.70	.70	.70	.70	.70		
200	240	29.00	12.80	7.60	2.40	1.10	1.10	1.10	1.10	1.10	1.10		
240	280	34.00	16.80	11.60	6.40	1.70	1.70	1.70	1.70	1.70	1.70		
280	320	39.00	20.80	15.60	10.40	5.20	2.30	2.30	2.30	2.30	2.30		
320	360	44.00	24.80	19.60	14.40	9.20	4.00	2.90	2.90	2.90	2.90		
360	400	49.00	30.80	25.60	20.40	15.20	10.00	4.80	3.80	3.80	3.80		
400	440	54.00	38.80	33.60	28.40	23.20	18.00	12.80	7.60	6.00	6.00		
440	480	59.00	46.80	41.60	36.40	31.20	26.00	20.80	15.60	10.40	6.20		
480	520	64.00	54.80	49.60	44.40	39.20	34.00	28.80	23.60	18.40	13.20		
520	560	69.00	62.80	57.60	52.40	47.20	42.00	36.80	31.60	26.40	21.20		
560	600	74.00	70.80	65.60	60.40	55.20	50.00	44.80	39.60	34.40	29.20		
600	640	79.00	78.80	73.60	68.40	63.20	58.00	52.80	47.60	42.40	37.20		
640	680	84.00	86.80	81.60	76.40	71.20	66.00	60.80	55.60	50.40	45.20		
680	720	100.00	94.80	89.60	84.40	79.20	74.00	68.80	63.60	58.40	53.20		
720	760	108.00	102.80	97.60	92.40	87.20	82.00	76.80	71.60	66.40	61.20		
760	800	116.00	110.80	105.60	100.40	95.20	90.00	84.80	79.60	74.40	69.20		
		124.00	118.80	113.60	108.40	103.20	98.00	92.80	87.60	82.40	77.20		
		132.00	126.80	121.60	116.40	111.20	106.00	100.80	95.60	90.40	85.20		
		140.00	134.80	129.60	124.40	119.20	114.00	108.80	103.60	98.40	93.20		
		148.00	142.80	137.60	132.40	127.20	122.00	116.80	111.60	106.40	101.20		
		156.00	150.80	145.60	140.40	135.20	130.00	124.80	119.60	114.40	109.20		
\$800 or over		20% of the excess over \$800 plus											
		\$160.00	\$154.80	\$149.60	\$144.40	\$139.20	\$134.00	\$128.80	\$123.60	\$118.40	\$113.20		

† If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$5.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages divided by the number of days in such period are—		And, (1) such person is a married person claiming none of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents		
At least	But less than	Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (3) such person is a single person and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
		Or, (5) such person is head of a family and has—											
		No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
		The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period											
		\$0	\$1	\$0.10	\$0.15								
1	2	.30	.45										
2	3	.60	.90	\$0.15									
3	4	.70	.55	.35	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05		
4	5	.90	.75	.65	.40	.20	.10	.10	.10	.10	.10		
5	6	1.10	.95	.75	.60	.40	.25	.10	.10	.10	.10		
6	7	1.30	1.15	.95	.80	.60	.45	.30	.15	.15	.15		
7	8	1.50	1.35	1.15	1.00	.80	.65	.50	.30	.15	.15		
8	9	1.70	1.55	1.35	1.20	1.00	.85	.70	.50	.35	.20		
9	10	1.90	1.75	1.55	1.40	1.20	1.05	.90	.70	.55	.35		
10	12	2.20	2.05	1.85	1.70	1.50	1.35	1.20	1.00	.85	.65		
12	14	2.60	2.45	2.25	2.10	1.90	1.75	1.60	1.40	1.25	1.05		
14	16	3.00	2.85	2.65	2.50	2.30	2.15	2.00	1.80	1.65	1.45		
16	18	3.40	3.25	3.05	2.90	2.70	2.55	2.40	2.20	2.05	1.85		
18	20	3.80	3.65	3.45	3.30	3.10	2.95	2.80	2.60	2.45	2.25		
20	22	4.20	4.05	3.85	3.70	3.50	3.35	3.20	3.00	2.85	2.65		
22	24	4.60	4.45	4.25	4.10	3.90	3.75	3.60	3.40	3.25	3.05		
24	26	5.00	4.85	4.65	4.50	4.30	4.15	4.00	3.80	3.65	3.45		
26	28	5.40	5.25	5.05	4.90	4.70	4.55	4.40	4.20	4.05	3.85		
28	30	5.80	5.65	5.45	5.30	5.10	4.95	4.80	4.60	4.45	4.25		
\$30 or over -----		20% of the excess over \$30 plus											
		\$6.00	\$5.85	\$5.65	\$5.50	\$5.30	\$5.15	\$5.00	\$4.80	\$4.65	\$4.45		

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$0.15 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 5 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

"(2) If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days (including Sundays and holidays) equal to the number of days in the period with respect to which such wages are paid.

"(3) In any case in which wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

"(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than one week, the Commissioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer to determine the amount to be deducted and withheld under the tables applicable in the case of a weekly payroll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

"(5) If the wages exceed the highest wage bracket, in determining the amount to be deducted and withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

"(d) **TAX PAID BY RECIPIENT.**—If the employer, in violation of the provisions of this subchapter, fails to deduct and withhold the tax under this subchapter, and thereafter the tax against which such tax may be credited is paid, the tax so required to be deducted and withheld shall not be collected from the employer; but this subsection shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to deduct and withhold.

"(e) **NONDEDUCTIBILITY OF TAX IN COMPUTING NET INCOME.**—The tax deducted and withheld under this subchapter shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income for the purpose of any tax on income imposed by Act of Congress.

"(f) **REFUNDS OR CREDITS.**—

"(1) **EMPLOYERS.**—Where there has been an overpayment of tax under this subchapter, refund or credit shall be made to the employer only to the extent that the amount of such overpayment was not deducted and withheld under this subchapter by the employer.

"(2) **EMPLOYEES.**—For refund or credit in cases of excessive withholding, see section 322 (a).

"(g) **INCLUDED AND EXCLUDED WAGES.**—If the remuneration paid by an employer to an employee for services performed during one-half or more of any payroll period of not more than thirty-one consecutive days constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than one-half of any such payroll period does not constitute wages,

then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

“(h) **WITHHOLDING EXEMPTION CERTIFICATES.**—Every employee receiving wages shall furnish his employer a signed withholding exemption certificate relating to his status for the purpose of computing the withholding exemption, or if the employer exercises his election under section 1622 (c) (relating to wage bracket withholding), for the purpose of computing the amount to be deducted and withheld under such subsection. In case of a change of status, a new certificate shall be furnished not later than ten days after such change occurs. The certificate shall be in such form and contain such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe. Such certificate—

“(1) If furnished after the date of commencement of employment with the employer by reason of a change of status, shall take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least thirty days from the date on which such certificate is furnished to the employer, except that at the election of the employer such certificate may be made effective with respect to any previous payment of wages made on or after the date of the furnishing of such certificate. For the purposes of this paragraph the term ‘status determination date’ means January 1 and July 1 of each year.

“(2) If furnished otherwise than by reason of a change of status, shall take effect as of the beginning of the first payroll period ending, or the first payment of wages made without regard to a payroll period, on or after the date on which such certificate is furnished to the employer.

A certificate which takes effect under this subsection shall continue in effect with respect to the employer until another such certificate furnished by the employee takes effect under this subsection. If no certificate is in effect under this subsection with respect to an employee, such employee shall be treated, for the purposes of the withholding exemption, or in case the employer exercises his election under section 1622 (c) (relating to wage bracket withholding), for the purpose of computing the amount to be deducted and withheld under such subsection, as a married person claiming none of the personal exemption for withholding and having no dependents.

“(i) **OVERLAPPING PAY PERIODS, AND SO FORTH.**—If a payment of wages is made to an employee by an employer—

“(1) with respect to a payroll period or other period, any part of which is included in a payroll period or other period with respect to which wages are also paid to such employee by such employer, or

“(2) without regard to any payroll period or other period, but on or prior to the expiration of a payroll period or other period with respect to which wages are also paid to such employee by such employer, or

“(3) with respect to a period beginning in one and ending in another calendar year, or

“(4) through an agent, fiduciary, or other person who also has the control, receipt, custody, or disposal of, or pays, the wages payable by another employer to such employee,

the manner of withholding and the amount to be deducted and withheld under this subchapter shall be determined in accordance with regulations

prescribed by the Commissioner with the approval of the Secretary under which the withholding exemption allowed to the employee in any calendar year shall approximate the withholding exemption allowable with respect to an annual payroll period.

“(j) **WITHHOLDING ON BASIS OF AVERAGE WAGES.**—The Commissioner may, under regulations prescribed by him with the approval of the Secretary, authorize employers (1) to estimate the wages which will be paid to any employee in any quarter of the calendar year, (2) to determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid, and (3) to deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually deducted and withheld upon the wages of such employee during such quarter to the amount required to be deducted and withheld during such quarter without regard to this subsection.

“**SEC. 1623. LIABILITY FOR TAX.**

“The employer shall be liable for the payment of the tax required to be deducted and withheld under this subchapter, and shall not be liable to any person for the amount of any such payment.

“**SEC. 1624. RETURN AND PAYMENT BY GOVERNMENTAL EMPLOYER.**

“If the employer is the United States, or a State, Territory, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, Territory, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose.

“**SEC. 1625. RECEIPTS.**

“(a) **REQUIREMENT.**—Every employer required to deduct and withhold a tax in respect of the wages of an employee shall furnish to each such employee in respect of his employment during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of wages is made, a written statement showing the wages paid by the employer to such employee during such calendar year, and the amount of the tax deducted and withheld under this subchapter in respect of such wages.

“(b) **STATEMENTS TO CONSTITUTE INFORMATION RETURNS.**—The statements required to be furnished by this section in respect of any wages shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe. A duplicate of such statement if made and filed in accordance with regulations prescribed by the Commissioner with the approval of the Secretary shall constitute the return required to be made in respect of such wages under section 147.

“(c) **EXTENSION OF TIME.**—The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the statements required to be furnished under this section.

"SEC. 1626. PENALTIES.

"(a) PENALTIES FOR FRAUDULENT RECEIPT OR FAILURE TO FURNISH RECEIPT.—In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof be fined not more than \$1,000, or imprisoned for not more than one year, or both.

"(b) ADDITIONAL PENALTY.—In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of not more than \$50.

"(c) FAILURE OF EMPLOYER TO FILE RETURN OR PAY TAX.—In case of any failure to make and file return or pay the tax required by this subchapter, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not due to willful neglect, the addition to the tax shall not be less than \$10.

"(d) PENALTIES IN RESPECT OF WITHHOLDING EXEMPTION CERTIFICATES.—Any individual required to supply information to his employer under section 1622 (h) who willfully supplies false or fraudulent information, or who willfully fails to supply information thereunder which would require an increase in the tax to be withheld under section 1622, shall, in lieu of any penalty otherwise provided, upon conviction thereof, be fined not more than \$500, or imprisoned for not more than one year, or both.

"SEC. 1627. OTHER LAWS APPLICABLE.

"All provisions of law, including penalties, applicable with respect to the tax imposed by section 1400 shall, insofar as applicable and not inconsistent with the provisions of this subchapter, be applicable with respect to the tax under this subchapter.

"SUBCHAPTER E—GENERAL PROVISIONS**"SEC. 1630. VERIFICATION OF RETURNS, ETC.**

"(a) POWER OF COMMISSIONER TO REQUIRE.—The Commissioner, under regulations prescribed by him with the approval of the Secretary, may require that any return, statement, or other document required to be filed under this chapter shall contain or be verified by a written declaration that it is made under the penalties of perjury, and such declaration shall be in lieu of any oath otherwise required.

"(b) PENALTIES.—Every person who willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter, shall be guilty of a felony, and, upon conviction thereof, shall be

subject to the penalties prescribed for perjury in section 125 of the Criminal Code.

"SEC. 1631. USE OF GOVERNMENT DEPOSITARIES IN CONNECTION WITH PAYMENT OF TAXES.

"The Secretary may authorize incorporated banks or trust companies which are depositaries or financial agents of the United States to receive any taxes under this chapter in such manner, at such times, and under such conditions as he may prescribe; and he shall prescribe the manner, times, and conditions under which the receipt of such taxes by such depositaries and financial agents is to be treated as payment of such taxes to the collectors.

"SEC. 1632. ACTS TO BE PERFORMED BY AGENTS.

"In case a fiduciary, agent or other person has the control, receipt, custody, or disposal of, or pays the wages of an employee or group of employees, employed by one or more employers, the Commissioner, under regulations prescribed by him with the approval of the Secretary, is authorized to designate such fiduciary, agent or other person to perform such acts as are required of employers under this chapter and as the Commissioner may specify. Except as may be otherwise prescribed by the Commissioner with the approval of the Secretary, all provisions of law (including penalties) applicable in respect of an employer shall be applicable to a fiduciary, agent or other person so designated but, except as so provided, the employer for whom such fiduciary, agent or other person acts shall remain subject to the provisions of law (including penalties) applicable in respect of employers.

(b) TECHNICAL AMENDMENTS.—

(1) **AMENDMENT TO SECTION 34.**—Section 34 of the Internal Revenue Code (cross reference) is amended by striking out "453, 454, and 466 (e)" and inserting in lieu thereof "453 and 454".

(2) **AMENDMENT TO SECTION 322.**—Section 322 (f) of the Internal Revenue Code (cross reference) is amended to read as follows:

"(f) **TAX WITHHELD AT SOURCE.**—For refund or credit in case of withholding agent, see section 143 (f). For refund or credit in case of employer required to deduct and withhold tax on wages, see section 1622 (f)."

(c) **EXPIRATION DATE FOR WITHHOLDING AT SOURCE ON WAGES UNDER SUBCHAPTER D OF CHAPTER 1.**—Section 476 of the Internal Revenue Code (prescribing the expiration date for the taxes imposed by Subchapter D) is amended to read as follows:

"SEC. 476. EXPIRATION DATE.

"The tax imposed by Part I of this subchapter shall not apply with respect to any taxable year commencing after the date of cessation of hostilities in the present war. The tax imposed by Part II of such subchapter shall not apply with respect to any wages paid after June 30, 1943, unless paid during the calendar year 1943 with respect to a payroll period beginning on or before such date."

(d) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall take effect July 1, 1943, and shall be applicable to all wages paid on or after such date, except that such amendments shall not be applicable to wages paid during the calendar year 1943 with respect to a payroll period beginning before such date.

SEC. 3. CREDIT FOR TAX WITHHELD AT SOURCE.

Section 35 of the Internal Revenue Code (relating to the credit for tax withheld on wages) is amended to read as follows:

"SEC. 35. CREDIT FOR TAX WITHHELD ON WAGES.

"The amount deducted and withheld as tax under Subchapter D of Chapter 9 during any calendar year upon the wages of any individual shall be allowed as a credit to the recipient of the income against the tax imposed by this chapter for the taxable year beginning in such calendar year. If more than one taxable year begins in any such calendar year such amount shall be allowed as a credit against the tax for the last taxable year so beginning."

SEC. 4. REFUNDS.

(a) EXCESSIVE WITHHOLDING, ETC.—Section 322 (a) (2) of the Internal Revenue Code (relating to excessive withholding) is amended to read as follows:

"(2) EXCESSIVE WITHHOLDING.—Where the amount of the tax withheld at the source under Part II of Subchapter D or Subchapter D of Chapter 9 exceeds the taxes imposed by this chapter against which the tax so withheld may be credited under section 35 or 466 (e), the amount of such excess shall be considered an overpayment."

"(3) CREDITS AGAINST ESTIMATED TAX.—The Commissioner is authorized to prescribe, with the approval of the Secretary, regulations providing for the crediting against the estimated tax for any taxable year of the amount determined by the taxpayer or the Commissioner to be an overpayment of the tax for a preceding taxable year."

(b) PRESUMPTION AS TO DATE OF PAYMENT.—Section 322 (e) of the Internal Revenue Code (relating to presumption as to date of payment) is amended to read as follows:

"(e) PRESUMPTION AS TO DATE OF PAYMENT.—For the purposes of this section, any tax actually deducted and withheld at the source during any calendar year under Part II of Subchapter D or under Subchapter D of Chapter 9 shall, in respect of the recipient of the income, be deemed to have been paid by him not earlier than the fifteenth day of the third month following the close of his taxable year with respect to which such tax is allowable as a credit under section 35 or section 466 (e). For the purposes of this section, any amount paid as estimated tax for any taxable year shall be deemed to have been paid not earlier than the fifteenth day of the third month following the close of such taxable year."

(c) DELEGATION OF AUTHORITY TO COLLECTORS TO MAKE REFUNDS.—Section 3770 (a) of the Internal Revenue Code (relating to authority to make refunds) is amended (1) by striking out "(4)" at the beginning of paragraph (4) and inserting in lieu thereof "(5)"; and (2) by inserting after paragraph (3) the following:

"(4) DELEGATION OF AUTHORITY TO COLLECTORS TO MAKE REFUNDS.—The Commissioner is authorized to delegate, with the approval of the Secretary, to collectors any authority, duty, or function which the Commissioner is authorized or required to exercise or perform under paragraph (1), (2), or (3) of this subsection, or under section 322 or 1027, where the amount involved (exclusive of interest, penalties, additions to the tax, and additional amounts) does not exceed \$1,000."

(d) *OVERPAYMENTS*.—Section 3770 of the Internal Revenue Code (relating to authority to make credits and refunds) is amended by inserting at the end thereof the following:

“(c) *RULE WHERE NO TAX LIABILITY*.—An amount paid as tax shall not be considered not to constitute an overpayment solely by reason of the fact that there was no tax liability in respect of which such amount was paid.”

(e) *CROSS-REFERENCE*.—The last subsection of section 3771 of the Internal Revenue Code (relating to interest on overpayments) is amended to read as follows:

“(f) *ESTIMATED TAX AND TAX WITHHELD AT SOURCE*.—For date of payment in respect of estimated tax and of tax withheld at source on wages, see section 322 (e).”

(f) *REVIEW OF ALLOWANCE OF INTEREST*.—Section 3790 of the Internal Revenue Code (prohibiting administrative review of Commissioner's decisions) is amended by inserting at the end thereof the following: “In the absence of fraud or mistake in mathematical calculation, the allowance or nonallowance by the Commissioner, of interest on any credit or refund under the internal revenue laws shall not, except as provided in Chapter 5, be subject to review by any other administrative or accounting officer, employee, or agent of the United States.”

SEC. 5. CURRENT PAYMENT OF TAX NOT WITHHELD AT SOURCE.

(a) *IN GENERAL*.—The Internal Revenue Code is amended by striking out sections 58, 59, and 60 and inserting in lieu thereof the following:

“SEC. 58. DECLARATION OF ESTIMATED TAX BY INDIVIDUALS.

“(a) *REQUIREMENT OF DECLARATION*.—Every individual (other than an estate or trust and other than a nonresident alien with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable) shall, at the time during the taxable year prescribed in subsection (d), make a declaration of his estimated tax for the taxable year if—

“(1) his gross income from wages (as defined in section 1621)

“(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$2,700 for the taxable year; or did exceed \$2,700 for the preceding taxable year; or

“(B) in case such individual is married and living with husband or wife: can, when added to the gross income which can reasonably be expected to be received by such husband or wife from wages (as so defined), reasonably be expected to exceed \$3,500 for the taxable year; or did when added to the gross income of such husband or wife from wages (as so defined) for the preceding taxable year, exceed \$3,500 for such preceding taxable year; or

“(2) his gross income from sources other than wages (as defined in section 1621)

“(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$100 for the taxable year and his gross income to be such as will require the making of a return for the taxable year under section 51; or did exceed \$100 for the preceding taxable year and such individual either was required to make a return under

section 51 or 455 for such preceding taxable year or would have been so required if he had been single during the whole of such preceding taxable year; or

“(B) in case such individual is married and living with husband or wife: can, when added to the gross income which can reasonably be expected to be received by husband or wife from such sources, reasonably be expected to exceed \$100 for the taxable year and the aggregate gross income of such husband and wife can reasonably be expected to be such as will require the making of a return under section 51 or 455; or did, when added to the gross income of such husband or wife from such sources for the preceding taxable year, exceed \$100 for such preceding taxable year and such individual would have been required to make a return under section 51 or 455 for such preceding taxable year if he had been married and living with husband or wife during the whole of such preceding taxable year; or

“(3) in case such taxable year is the taxable year beginning in 1943, such individual was required to make a return under section 51 for the taxable year beginning in 1942, and his gross income from wages (as defined in section 1621) for such taxable year is greater than the gross income which can reasonably be expected to be received from wages for the taxable year beginning in 1943.

“(b) **CONTENTS OF DECLARATION.**—In the declaration required under subsection (a) the individual shall state—

“(1) the amount which he estimates as the amount of tax under this chapter for the taxable year, without regard to any credits under sections 32, 35, and 466 (e);

“(2) the amount which he estimates as the credits for the taxable year under sections 32, 35, and 466 (e); and

“(3) the excess of the amount estimated under paragraph (1) over the amount estimated under paragraph (2), which excess for the purposes of this chapter shall be held and considered the estimated tax for the taxable year.

The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

“(c) **JOINT DECLARATION BY HUSBAND AND WIFE.**—In the case of a husband and wife living together, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint return is not made for the taxable year, the estimated tax for such year may be treated as the estimated tax of either the husband or the wife, or may be divided between them.

“(d) **TIME AND PLACE FOR FILING.**—The declaration required under subsection (a) shall be filed on or before the fifteenth day of the third month of the taxable year, except that if the requirements of subsection (a) are first met after such date, the declaration shall be filed on or before the fifteenth day of the last month of the quarter of the taxable year in which such requirements are first met. An individual may make amendments or revisions of a declaration filed under this subsection, under regulations

prescribed by the Commissioner with the approval of the Secretary. If so made, such amendments or revisions shall be filed on or before the fifteenth day of the last month of any quarter of the taxable year subsequent to that in which the declaration was filed and in which no previous amendments or revisions have been made or filed. Declarations and amendments and revisions thereof shall be filed with the Collector specified in section 53 (b) (1).

"(e) *EXTENSION OF TIME*.—The Commissioner may grant a reasonable extension of time for filing declarations and paying the estimated tax, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than six months.

"(f) *PERSONS UNDER DISABILITY*.—If the taxpayer is unable to make his own declaration, the declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

"(g) *SIGNATURE PRESUMED CORRECT*.—The fact that an individual's name is signed to a filed declaration shall be *prima facie* evidence for all purposes that the declaration was actually signed by him.

"(h) *PUBLICITY OF DECLARATION*.—For the purposes of section 55 (relating to publicity of returns), a declaration of estimated tax shall be held and considered a return under this chapter.

"SEC. 59. PAYMENT OF ESTIMATED TAX.

"(a) *IN GENERAL*.—The estimated tax shall be paid in four equal installments except that—

"(1) if the declaration is filed (otherwise than pursuant to an extension of time) after the fifteenth day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year (including the quarter in which the declaration is filed); and

"(2) if any amendment or revision of a declaration is filed, the remaining installments shall be ratably increased or decreased, as the case may be, to reflect the increase or decrease, as the case may be, in the estimated tax by reason of such amendment or revision; and

"(3) at the election of the individual, any installment of the estimated tax may be paid prior to the date prescribed for its payment.

One installment of the estimated tax shall be paid at the time of making the declaration, and an installment thereof shall be paid on the fifteenth day of the last month of each succeeding quarter of the taxable year. Payment of any installment of the estimated tax shall be considered payment on account of the tax for the taxable year.

"(b) *ASSESSMENT*.—The estimated tax shall be assessed only to the extent paid.

"SEC. 60. SPECIAL RULES FOR APPLICATION OF SECTIONS 58 AND 59.

"(a) *FARMERS*.—In the case of an individual whose estimated gross income from farming for the taxable year is at least 80 per centum of the total estimated gross income from all sources for the taxable year, in lieu of the time prescribed in section 58 (d), the declaration for the taxable year may be made at any time on or before the fifteenth day of the last month of the taxable year.

"(b) *APPLICATION TO SHORT TAXABLE YEARS.*—The application of sections 58, 59, and 294 (a) (3), (4), and (5) to taxable years of less than twelve months shall be as prescribed in regulations prescribed by the Commissioner with the approval of the Secretary.

"(c) *APPLICATION TO TAXABLE YEARS BEGINNING IN 1943.*—If the taxable year is the calendar year 1943, the fifteenth day of September, 1943, shall be substituted for the fifteenth day of March for the purposes of section 58 (d). If the taxable year begins in 1943 after January 1, the date which shall be substituted for the fifteenth day of the third month of the taxable year for the purposes of section 58 (d) shall be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary. In either case installments of the estimated tax for such taxable year payable after September 1, 1943, shall be ratably decreased to reflect the payments on account of a taxable year beginning in 1942 which are treated as payments on account of the estimated tax for a taxable year beginning in 1943."

(b) *ADDITIONS TO TAX.*—Section 294 (a) of the Internal Revenue Code (relating to additions to tax in case of nonpayment) is amended by inserting at the end thereof the following:

"(3) *FAILURE TO FILE DECLARATION OF ESTIMATED TAX.*—In the case of a failure to make and file a declaration of estimated tax within the time prescribed, there shall be added to the tax an amount equal to 10 per centum of the tax.

"(4) *FAILURE TO PAY INSTALLMENT OF ESTIMATED TAX.*—In the case of the failure to pay an installment of the estimated tax within the time prescribed, there shall be added to the tax \$2.50 or 2½ per centum of the tax, whichever is the greater, for each installment with respect to which such failure occurs.

"(5) *SUBSTANTIAL UNDERESTIMATE OF ESTIMATED TAX.*—If 80 per centum of the tax (determined without regard to the credits under sections 32, 35, and 466 (e)), in the case of individuals other than farmers exercising an election under section 60 (a), or 66½ per centum of such tax so determined in the case of such farmers, exceeds the estimated tax (increased by such credits), there shall be added to the tax an amount equal to such excess, or equal to 6 per centum of the amount by which such tax so determined exceeds the estimated tax so increased, whichever is the lesser. This paragraph shall not apply to the taxable year in which falls the death of the taxpayer."

(c) *PENALTIES.*—Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after "return" wherever appearing therein the words "or declaration", and (2) by inserting before "tax" wherever appearing therein the words "estimated tax or".

(d) *PAYMENT BY INSTALLMENTS.*—Section 56 (b) of the Internal Revenue Code (relating to installment payments) is amended by striking out "The" at the beginning thereof and inserting in lieu thereof "Except in the case of an individual (other than an estate or trust and other than a nonresident alien with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable), the".

(e) *DATE FOR MAKING RETURN BY CERTAIN NONRESIDENT ALIENS.*—

(1) Section 217 (a) of the Internal Revenue Code (relating to returns by nonresident aliens) is amended by inserting, after "In the

case of a nonresident alien individual" the following: "with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable,".

(2) Section 218 (a) of the Internal Revenue Code (relating to payment of tax by nonresident aliens) is amended by inserting after "In the case of a nonresident alien individual" the following: "with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable,".

(f) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1942, except that section 294 (a) (5) of the Internal Revenue Code shall not be applicable to a taxable year beginning in 1943 in the case of an individual not required to make a declaration under section 58 of the Internal Revenue Code for such year.

SEC. 6. RELIEF FROM DOUBLE PAYMENTS IN 1943.

(a) **TAX FOR 1942 NOT GREATER THAN TAX FOR 1943.**—In case the tax imposed by Chapter 1 of the Internal Revenue Code upon any individual (other than an estate or trust and other than a nonresident alien not subject to the provisions of sections 58, 59, and 60 of such chapter) for the taxable year 1942 (determined without regard to this section, without regard to interest or additions to the tax, and without regard to credits against the tax for amounts withheld at source) is not greater than the tax for the taxable year 1943 (similarly determined), the liability of such individual for the tax imposed by such chapter for the taxable year 1942 shall be discharged as of September 1, 1943, except that interest and additions to such tax shall be collected at the same time and in the same manner as, and as a part of, the tax under such chapter for the taxable year 1943. In such case if the tax for the taxable year 1942 (determined without regard to this section and without regard to interest or additions to the tax) is more than \$50, the tax under such chapter for the taxable year 1943 shall be increased by an amount equal to 25 per centum of the tax for the taxable year 1942 (so determined) or the excess of such tax (so determined) over \$50, whichever is the lesser. This subsection shall not apply in any case in which the taxpayer is convicted of any criminal offense with respect to the tax for the taxable year 1942 or in which additions to the tax for such taxable year are applicable by reason of fraud.

(b) **TAX FOR 1942 GREATER THAN TAX FOR 1943.**—In case the tax imposed by Chapter 1 of the Internal Revenue Code upon any individual (other than an estate or trust and other than a nonresident alien not subject to the provisions of sections 58, 59, and 60 of such chapter) for the taxable year 1942 (determined without regard to this section, without regard to interest or additions to the tax, and without regard to credits against the tax for amounts withheld at source) is greater than the tax for the taxable year 1943 (similarly determined), the liability of such individual for the tax imposed by such chapter for the taxable year 1942 shall be discharged as of September 1, 1943, except that interest and additions to such tax shall be collected at the same time and in the same manner as, and as a part of, the tax under such chapter for the taxable year 1943. In such case the tax under such chapter for the taxable year 1943 shall be increased by—

(1) the amount by which the tax imposed by such chapter for the taxable year 1942 (determined without regard to this section and without regard to interest and additions to such tax) exceeds the tax

imposed by such chapter for the taxable year 1943 (determined without regard to this section, without regard to interest and additions to such tax, and without regard to credits against such tax under section 466 (e) or under section 35 of such chapter), plus

(2) if the tax for the taxable year 1943 (determined without regard to this section, without regard to interest or additions to the tax, and without regard to credits against such tax under section 466 (e) or under section 35 of such chapter) is more than \$50, an amount equal to 25 per centum of the tax for the taxable year 1943 (so determined) or the excess of such tax (so determined) over \$50, whichever is the lesser. Such amount shall in no case exceed 25 per centum of the tax for the taxable year 1942 (determined without regard to this section and without regard to interest and additions to such tax) or the excess of such tax (so determined) over \$50, whichever is the lesser.

This subsection shall not apply in any case in which the taxpayer is convicted of any criminal offense with respect to the tax for the taxable year 1942 or in which additions to the tax for such taxable year are applicable by reason of fraud. An individual who becomes subject to tax for the taxable year 1943 under this subsection shall be an individual required to make a return for the taxable year 1943 under section 51 of the Internal Revenue Code.

(c) **ADDITIONAL INCREASE IN 1943 TAX WHERE INCREASED INCOME.**—

(1) **TAX FOR 1942 NOT GREATER THAN THAT FOR 1943.**—In the case of a taxpayer whose liability for the tax for the taxable year 1942 is discharged under subsection (a), and whose surtax net income for the base year plus \$20,000 is less than that for the taxable year 1942, the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1943 shall be increased by the excess of 75 per centum of the tax imposed by such chapter for the taxable year 1942 (determined without regard to this section and without regard to interest and additions to the tax) over a tentative tax computed as if the portion of the surtax net income for the taxable year 1942 which is not greater than the sum of the surtax net income for the base year plus \$20,000 constituted both the surtax net income for the taxable year 1942, and the net income for such taxable year after allowance of all credits against net income;

(2) **TAX FOR 1942 GREATER THAN THAT FOR 1943.**—In the case of a taxpayer whose liability for the tax for the taxable year 1942 is discharged under subsection (b) and whose surtax net income for the base year plus \$20,000 is less than that for the taxable year 1943, the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1943 shall be increased by the excess of 75 per centum of the tax imposed by such chapter for the taxable year 1943 (determined without regard to this section and without regard to interest and additions to the tax) over a tentative tax for the taxable year 1943 computed as if the portion of the surtax net income for such taxable year which is not greater than the sum of the surtax net income for the base year plus \$20,000 constituted both the surtax net income for the taxable year 1943, and the net income for such taxable year after allowance of all credits against net income.

For the purposes of this subsection "base year" means any one of the taxable years 1937, 1938, 1939, or 1940, to be selected by the taxpayer.

(d) RULES FOR APPLICATION OF SUBSECTIONS (A), (B), AND (C).—

(1) APPLICATION OF SUBSECTION (B) TO MEMBERS OF ARMED FORCES.—If the taxpayer is in active service in the military or naval forces of the United States or any of the other United Nations at any time during the taxable year 1942 or 1943, the increase in the tax for the taxable year 1943 under subsection (b) (1) shall be reduced by an amount equal to the amount by which the tax for the taxable year 1942 (determined without regard to this section) is increased by reason of the inclusion in the net income for the taxable year 1942 of the amount of the earned net income (as defined in section 25 (a) (4)).

(2) JOINT RETURNS.—If the taxpayer either for the taxable year 1942 or for the taxable year 1943 makes a joint return with his spouse, the taxes of the spouses for the taxable year for which a joint return is not made shall be aggregated for the purposes of subsections (a), (b), and (c), and in case the taxable year for which a joint return is not made is the taxable year 1943, the liability for the increase in the tax for the taxable year 1943 under subsections (b) and (c), shall be joint and several.

(3) FOREIGN TAX CREDIT AND APPLICATION OF SECTIONS 105, 106, AND 107.—The credit against the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1943 allowed by section 31 of such chapter (relating to taxes of foreign countries and of possessions of the United States), shall be determined without regard to subsections (a), (b), and (c). Sections 105, 106, and 107 of such chapter (relating to limitations on tax) shall be applied without regard to subsections (a), (b), and (c).

(4) SECTION 107 INCOME ATTRIBUTED TO BASE YEAR.—That portion of the compensation which is received or accrued in the taxable year 1942 (if the tax for such year is not greater than that for the taxable year 1943), or in the taxable year 1943 (if the tax for such year is less than that for the taxable year 1942), and which under section 107 of the Internal Revenue Code is attributed to the base year, shall for the purposes of subsection (c) be excluded in computing the surtax net income for the taxable year 1942 or 1943, as the case may be, and be included in computing the surtax net income for the base year.

(5) PARTNERSHIP BUSINESS FORMERLY OPERATED AS CORPORATION.—If, during the base year of any individual, such individual was a shareholder in a corporation and if substantially all of the assets of such corporation were at any time prior to May 1, 1943, acquired by such individual or a partnership of which he is a partner pursuant to the complete liquidation of such corporation, and if at all times after such liquidation up to and including the taxable year 1942 (if subsection (a) is applicable) or the taxable year 1943 (if subsection (b) is applicable) the trade or business of such corporation was carried on by such individual or partnership, for the purposes of subsection (c) such individual may compute his surtax net income for the base year as if the earnings and profits of the corporation for the taxable year ending with or within the base year

had all been distributed as dividends at the end of such taxable year. If the interest of such individual in the partnership is proportionately less than his interest in the corporation, his distributive share of such dividends shall for the purposes of this paragraph be adjusted to reflect such difference.

(6) CERTAIN PORTIONS OF INCREASE IN 1943 TAX NOT PART OF ESTIMATED TAX.—The amount by which the tax for the taxable year 1943 is increased under subsection (a), (b) (2), or (c) shall not be considered to be a part of the tax for such taxable year for the purposes of sections 58, 59, 60, and 294 (a), (3), (4) and (5) of the Internal Revenue Code.

(7) TAXPAYER DYING IN TAXABLE YEAR 1942.—If the individual dies during the taxable year 1942, subsections (a), (b), and (c) shall not apply.

(e) EXTENSION OF TIME FOR PAYMENT OF PORTIONS OF INCREASE IN 1943 TAX.—

(1) TWENTY-FIVE PER CENTUM INCREASE UNDER SUBSECTION (A) OR (B).—At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall, except as hereinafter provided, extend the time for the payment of the portion of the tax for the taxable year 1943 equal to one-half of the amount of the 25 per centum increase therein under subsection (a) or (b) (2) for the taxable year 1943, in which case such portion shall be paid on or before the fifteenth day of the fifteenth month following the close of the taxable year. The Commissioner may condition the extension upon the furnishing by the taxpayer of a bond in such amount, not exceeding the amount with respect to which the extension applies, with such surety or sureties, as the Commissioner deems necessary, conditioned upon the payment of such amount in accordance with the terms of the extension. If such amount is not paid on or before the date on which it is payable, it shall be paid upon notice and demand from the Collector. If such amount is not paid on or before the date on which it is payable, there shall be collected, as a part of the tax, interest on such amount at the rate of 6 per centum per annum for the period beginning with the date on which such amount is payable and ending with the date on which it is paid.

(2) INCREASE UNDER SUBSECTION (C).—At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall, except as hereinafter provided, extend the time for the payment of the portion of the tax for the taxable year 1943 equal to the increase therein under subsection (c), in which case such portion shall be paid in four equal annual installments, the first of which shall be paid on the fifteenth day of the fifteenth month following the close of the taxable year, and of the remaining installments one of which shall be paid on the last day of each succeeding twelve-month period, except that any installment may be paid prior to the date prescribed for its payment. The Commissioner may condition the extension upon the furnishing by the taxpayer of a bond in such amount,

not exceeding the amount of such increase, with such surety or sureties, as the Commissioner deems necessary, conditioned upon the payment of such amount in accordance with the terms of the extension. If the time for the payment of such portion is extended, there shall be collected, as a part of the tax, interest on each installment at the rate of 4 per centum per annum for the period beginning with the date prescribed for the payment of the tax for such taxable year and ending with the date on which such installment is paid or the date on which it is payable, whichever is the earlier. If any installment is not paid on or before the date on which it is payable, it and the remaining installments shall be paid upon notice and demand from the Collector. If any installment is not paid on or before the date on which it is payable, there shall be collected, as part of the tax, interest on such installment at the rate of 6 per centum per annum for the period beginning with the date on which such installment is payable and ending with the date on which it is paid.

(f) **TREATMENT OF PAYMENTS ON ACCOUNT OF 1942 TAX.**—Any payment (other than interest and additions to the tax) made on account of the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1942 upon a taxpayer whose liability for such tax is discharged under subsection (a) or (b) shall be considered as payment on account of the estimated tax for the taxable year 1943. In the case of any extension of time for the payment of such tax granted by the Commissioner prior to September 1, 1943, payment of the portion thereof which if such extension had not been granted would have been payable under section 56 (b) prior to such date shall be made notwithstanding subsection (a) or (b), but the foregoing provisions of this subsection shall apply to any such payment. In case the taxpayer becomes delinquent prior to September 1, 1943, in the payment of such tax or any installment thereof, subsection (a) or (b) shall not relieve the taxpayer of his liability for the tax, but the foregoing provisions of this subsection shall be applicable to payment of such liability. If any payment on account of the tax imposed by such chapter for the taxable year 1942 is made pursuant to a joint return made by husband and wife for such taxable year, and such payment is considered as a payment on account of the estimated tax for the taxable year 1943, such payment may be treated as a payment on account of the estimated tax of either the husband or the wife for such taxable year or may be divided between them.

(g) **USE OF TERM "TAXABLE YEAR".**—For the purposes of this section the terms "taxable year 1937", "taxable year 1938", "taxable year 1939", "taxable year 1940", "taxable year 1942", and "taxable year 1943" mean, respectively, the taxable year beginning in 1937, 1938, 1939, 1940, 1942, and 1943, respectively; and "taxable year" as applied to the taxable year 1942 or 1943 shall not include any period of less than twelve months unless occasioned by the death of the taxpayer or unless there is no taxable year of twelve months beginning in such calendar year.

(h) **REGULATIONS.**—This section shall be applied in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

SEC. 7. ADDITIONAL ALLOWANCE FOR MEMBERS OF ARMED FORCES.

(a) *IN GENERAL.*—Section 22 (b) (13) of the Internal Revenue Code (relating to additional allowance for military and naval personnel in computing net income) is amended to read as follows:

“(13) *ADDITIONAL ALLOWANCE FOR MILITARY AND NAVAL PERSONNEL.*—In the case of compensation received during any taxable year and before the termination of the present war as proclaimed by the President, by a member of the military or naval forces of the United States for active service in such forces during such war, or by a citizen or resident of the United States who is a member of the military or naval forces of any of the other United Nations for active service in such forces during such war, so much of such compensation as does not exceed \$1,500.”

(b) *EFFECTIVE DATE.*—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1942.

SEC. 8. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES UPON DEATH.

Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

“Supplement U—Abatement of Tax for Members of Armed Forces Upon Death

“SEC. 421. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES UPON DEATH.

“In the case of any individual who dies on or after December 7, 1941, while in active service as a member of the military or naval forces of the United States or of any of the other United Nations and prior to the termination of the present war as proclaimed by the President, the tax imposed by this chapter shall not apply with respect to the taxable year in which falls the date of his death, and the tax under this chapter and under the corresponding title of each prior revenue law for preceding taxable years which is unpaid at the date of his death (including interest, additions to the tax, and additional amounts) shall not be assessed, and if assessed the assessment shall be abated, and if collected shall be credited or refunded as an overpayment.”

SEC. 9. ASSISTANT COMMISSIONERS.

Subchapter B of Chapter 39 of the Internal Revenue Code is amended to read as follows:

“SUBCHAPTER B—ASSISTANT COMMISSIONERS

“SEC. 3905. APPOINTMENT.

“There shall be in the Bureau of Internal Revenue two Assistant Commissioners, who shall be appointed by the President, by and with the advice and consent of the Senate.

“SEC. 3906. DUTIES.

“The Assistant Commissioners shall perform such duties as may be prescribed by the Commissioner or required by law.”

SEC. 10. EXTENSION OF TIME IN CONNECTION WITH RELEASE OF POWERS OF APPOINTMENT.

Section 403 (d) (3) of the Revenue Act of 1942 is amended by striking out "July 1, 1943" wherever it appears and inserting in lieu thereof "March 1, 1944"; and section 452 (c) of the Revenue Act of 1942 is amended to read as follows:

"(c) RELEASE BEFORE MARCH 1, 1944.—

"(1) A release of a power to appoint before March 1, 1944, shall not be deemed a transfer of property by the individual possessing such power.

"(2) This subsection shall apply to all calendar years prior to 1944 and to that part of the calendar year 1944 prior to March 1, 1944."

And the Senate agree to the same.

R. L. DOUGHTON,
HAROLD KNUTSON,
DANIEL A. REED,
THOMAS A. JENKINS,
Managers on the part of the House.

WALTER F. GEORGE,
DAVID I. WALSH,
BENNETT CHAMP CLARK,
HARRY F. BYRD,
ARTHUR H. VANDENBERG,
JAMES J. DAVIS,
JOHN A. DANAHER (with
reservations),
Managers on the part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

COLLECTION OF INCOME TAX AT SOURCE ON WAGES

DESCRIPTION OF HOUSE AND SENATE BILLS.

Part II of subchapter D of chapter 1 of the Internal Revenue Code provides for collection at the source of a tax of 5 percent on the excess of all wages paid on or after January 1, 1943, over a specific exemption of \$624. The amount of tax collected at source under this provision is allowed as a credit against Victory tax and any excess thereof over the Victory tax imposed under part I of subchapter D is allowed as a credit against other income taxes imposed under chapter 1. Section 2 of the House bill would amend part II of subchapter D to provide for collection of a tax at source on wages paid on or after July 1, 1943, at a rate of 3 percent upon the excess of the wages paid over a specific exemption of \$624 and a rate of 17 percent (which was designed to approximate the yield of the normal tax and the first-bracket surtax on such wages) upon the excess over a withholding exemption, the amount of which depended on the employee's family status. Thus, the combined rates approximated the net Victory tax, the normal tax, and the first-bracket surtax on such wages. In lieu of withholding at the flat percentage rates on the excess of the wages over the exemptions, employers were granted an option to withhold a tax determined under tables provided in the bill under which the two portions of the tax were combined into a single amount to be withheld from each wage payment.

The Senate bill adopts the basic system of collection at source as provided in the House bill but makes a number of technical changes which are explained below. Under the bill as passed by the Senate, the methods of collection, payment, and administration of the withholding tax were coordinated generally with those applicable to the Social Security tax imposed on employees under section 1400 of the code. This proposal was made in order to facilitate the work of both the Government and the employer in administering the withholding system. Accordingly, section 2 of the Senate bill places the 20 percent withholding provisions in a new subchapter D of chapter 9 of the code. The new subchapter is entitled "Collection of Income Tax at Source on Wages." This amendment requires a change in the numbering of the various sections discussed below. This system of collection of income tax at source, like other income-tax laws, will apply in the Virgin Islands.

Definitions.

Subchapter D under the bill as passed by the Senate consists of sections 1621 to 1627, inclusive. Section 1621 provides definitions of the more important terms used in subchapter D. The general definition of the term "wages" contained in section 1621 (a) is the same as that contained in the House bill and in section 465 (a) of the code. The term is generally defined to include all remuneration whether designated as salary, wages, fees, commissions, etc., and whether paid in cash or property, if paid for services performed by an employee for his employer. Certain of the exceptions provided in existing law with respect to remuneration paid for given types of services are continued in identical language. These exceptions, numbered to conform to the bill, include remuneration paid (2) for agricultural labor as defined in section 1426 (h); (3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority; and (4) for casual labor not in the course of the employer's trade or business.

Exception (1) relates to remuneration paid for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay includible in gross income. The addition of the expression "includible in gross income under Chapter 1" is a clerical change required by a further clerical change in section 1622 (a) from the provisions of the corresponding section 466 (a) of the code.

The exception provided with respect to remuneration for services performed for a foreign government or instrumentality thereof was amended in the Senate bill (exception (5)) to make clear that the exception extends to remuneration paid to employees by the Commonwealth of the Philippines. The exception was also amended to make certain that the services must be performed for the particular government, or branch of such government.

The exception provided in existing law for services as an employee of a nonresident alien individual, foreign partnership, or foreign corporation, if such alien or foreign entity is not engaged in trade or business within the United States, was eliminated. In many cases, although not engaged in trade or business in the United States, such employers do have an office or place of business therein or agents by whom wages are paid to citizen or resident employees in the United States. The amendment requires the tax to be withheld in such cases.

Section 1621 (a) (6) provides an exception for remuneration paid for services performed by a nonresident alien individual other than a resident of a contiguous country who enters and leaves the United States at frequent intervals. This is the same clerical change as that made in the House bill from a similar exception relating to the requirement of withholding contained in section 466 (a) of the code. The effect of this exception is generally to exclude from withholding all nonresident alien individuals who are subject to withholding under the provisions of section 143 of the code. By express provision, the exception does not extend to residents of a contiguous country who enter and leave the United States at frequent intervals. Thus residents of Canada and Mexico falling in such category who are employed within and receive remuneration for services performed within the United States will be subject to withholding under the provisions of the bill. Such persons are subject to the tax imposed by sections 11, 12,

and 450 of the code, the same as in the case of citizens of the United States, upon the wages received for services performed within the United States and are not presently subject to withholding with respect to compensation for personal services under section 143.

Many persons falling within the category of residents of a contiguous country who enter and leave the United States at frequent intervals are employed by American railroads and steamship companies in transportation service which involves crossing and recrossing the border at frequent intervals. These and similar cases have many complicating factors and are not susceptible of appropriate treatment by rigid statutory rules. In addition, the exception of this general category of nonresident aliens from withholding under section 143 with respect to compensation rests within the discretion of the Commissioner. Accordingly, exception (7) authorizes the Commissioner to provide exceptions from withholding for such individuals under regulations prescribed with the approval of the Secretary.

Exception (8), relating to services performed while outside the United States, is a clarification of existing law designed to facilitate the use of certain presumptions in determining whether the major part of the services for an employer during the calendar year is to be performed outside the United States.

Exception (9) is a new provision excepting from the definition of "wages" remuneration paid for services performed as a minister of the gospel.

Section 1621 (a), relating to the definition of "wages," makes clear that the exception provided in paragraph (8) thereof with respect to services performed outside the United States does not extend to wages paid for services performed on an American vessel or upon any vessel as an employee of the United States employed through the War Shipping Administration. Hence, withholding is required upon the wages paid to (1) employees performing services on or in connection with an American vessel (as defined in section 1426 (g) of the code) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States and (2) employees serving on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration. This is in accordance with present administrative practice under existing law.

The term "payroll period" is defined in section 1621 (b) and is identical with that contained in the House bill and in section 465 (a) of the code. The Senate bill, however, added a definition of the term "miscellaneous payroll period." This term embraces any period for which a payment of wages is ordinarily made to the employee by his employer other than a weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period. Thus, if an employer's ordinary practice is to pay his employees for periods of 10 days, such 10-day periods are miscellaneous payroll periods.

Section 1621 (c) defines the term "employee" in the same terms as the House bill and section 465 (d) of the code.

Section 465 (c) and (e) of the code contains definitions of the terms "withholding agent" and "employer," respectively. Under the House bill and under the bill as passed by the Senate, the definition of withholding agent has been eliminated. Both bills generally define the term "employer" to mean the person for whom an individual

performs or performed any service, of whatever nature, as the employee of such person. This general definition is not adequate, however, to cover certain special cases, such as the case where the local agent of a nonresident alien individual, foreign partnership, or foreign corporation pays wages to a citizen or resident of the United States, and the case of the person making payment of wages in situations where the wage payments are not under the control of the person for whom the services are or were performed, as, for instance, in the case of certain types of pension payments. The House bill provided for these cases by an exception to the general definition of the term "employer" which provided that if the wages are paid by a person other than the person for whom the services are or were performed, the term "employer" means the person paying such wages. The Senate bill has restated the exception in order to make clear that it is designed solely to meet unusual situations and not intended as a departure from the basic purpose to centralize responsibility for withholding, returning, and paying the tax and furnishing receipts.

Accordingly, the Senate bill provides in section 1621 (d) (1) that if the person for whom the services are or were performed does not have control of the payment of the wages for such services the term "employer" means the person having control of the payment of such wages. Section 1621 (d) (2) provides that in the case of a person who pays wages on behalf of a nonresident alien individual, foreign partnership, or foreign corporation, which is not engaged in trade or business within the United States the term "employer" means the person who pays the wages.

As stated, section 1621 (d) makes it clear that the responsibility for withholding, paying, and returning the tax and furnishing receipts rests with the employer, except as otherwise specifically provided in section 1624. In the case of a corporate employer having branch offices, the branch manager or other representative may actually, as a matter of internal administration, withhold the tax or prepare the receipts required under section 1625, but the responsibility and legal duty for withholding, paying, and returning the tax and furnishing the receipts rests with the corporate employer.

Under the bill as passed by the Senate, the tax required to be collected at the source is based upon the excess of the wage payment over the amount of the withholding exemption provided in section 1622 (b). The amount of the withholding exemption in a specific case is in general dependent upon the status of the individual employee as single, married, etc.; upon the number of his dependents; and, in the case of an employed married person whose spouse is also employed, the amount of the withholding exemption claimed by each spouse. In all cases the withholding exemption will be determined by the employer upon the basis of the information relative to status set forth in a withholding exemption certificate required to be furnished by the employee. Accordingly, definitions have been provided in sections 1621 (e) to (k), inclusive, for the purpose of enabling the employer to determine the status of wage earners with respect to the withholding exemption. Under these definitions, which are identical in all but one respect with those contained in the House bill, the terms "single person," "married person," "head of a family," and "dependent," have the meanings assigned to such terms for the purpose of the personal exemption and credit for dependents in section 25

and the regulations prescribed thereunder, but the application of the appropriate amount of withholding exemption in each case depends upon the furnishing of a withholding exemption certificate stating that the individual occupies the described status or is entitled to the withholding exemption with respect to dependents. If no certificate setting forth the status of the employee is furnished, no withholding exemption is allowed; and tax will be withheld upon the gross amount of the wage payment. If husband and wife are both employed, each may claim one-half of the withholding exemption allowed a married person or they may agree to allow one spouse to claim all of the withholding exemption, and the other spouse to claim none of the withholding exemption. The option in such case extends only to the withholding exemption allowed a married person which under the definition is termed the "personal exemption for withholding."

The withholding exemption provided with respect to dependents must be claimed by the spouse who furnishes the chief support for such dependent whether or not such spouse claims any part of the personal exemption for withholding. In the case of the head of a family having one or more dependents, one of such dependents is to be omitted in determining the number of dependents for the purpose of the withholding exemption with respect to dependents. The only respect in which the Senate bill differs from these provisions in the House bill is that the former proposes to qualify the definition of the term "married person claiming half of the personal exemption for withholding" contained in subsection (h) so that such amount of the personal exemption for withholding shall apply only where the withholding exemption certificate expressly states that for the purposes of the tax collected at the source on wages the employee's spouse is claiming not more than one-half of the personal exemption for withholding. This change is designed to bring this definition in line with the definition of "married person claiming all of personal exemption for withholding."

Requirement of withholding.

The House bill expressed the withholding requirement in terms of two portions of the tax required to be collected at source. The portion required to be withheld at the rate of 17 percent was based upon the excess of the wage payment over the amount of a withholding exemption which approximated the personal exemption of the wage earner under the regular income tax plus credit for dependents plus 10 percent of such exemption and credit, the combined amounts being prorated in accordance with the length of the particular payroll period. The portion required to be withheld at the rate of 3 percent was based upon the excess of each wage payment over the prorated withholding exemption of \$624 provided for Victory tax purposes. Thus, the employer would first apply one withholding exemption and rate to each payment of wages, then he would apply another withholding exemption and rate to such payment, and by adding the two results would arrive at the total amount of tax to be withheld. This amount would approximate the net Victory tax, the normal tax, and the first-bracket surtax on such wages.

The Senate bill is designed to achieve this same objective of withholding on wages an amount approximating the net Victory tax, the

normal tax, and the first-bracket surtax on such wages, but it is so framed that the employer will not be required to make two separate computations and add the result of each in order to arrive at the amount of tax required to be withheld from any one employee.

To accomplish this objective of simplifying the work of employers, section 1622 under the Senate bill changes the aggregate withholding exemption of \$552 for single persons provided in the House bill to \$624; the withholding exemption of \$1,320 for married persons to \$1,248; and the withholding exemption of \$408 for each dependent to \$312. These amounts are termed the family status withholding exemptions. Withholding would then be applied at the single rate of 20 percent on all amounts paid in excess of these exemptions, prorated in accordance with the length of the payroll period. The Senate bill provides, however, that in no case may the tax to be withheld be less than 3 percent of the amount of the wages for each payroll period in excess of the prorated \$624 Victory tax exemption.

The reason for the provision in section 1622 (a) that the amount to be withheld shall in no event be less than 3 percent of the amount in excess of the Victory tax withholding exemption is that the family status withholding exemption of a wage earner might equal or exceed the amount of his wages so that no withholding for normal tax and first-bracket surtax should take place, while at the same time his Victory tax withholding exemption might be less than the amount of his wages so that withholding for Victory tax purposes should take place. In other words, the provision is necessary to insure withholding for Victory tax purposes in the case of single persons with dependents having incomes between \$624 and the applicable exemption under the 20-percent withholding, which ranges upward from \$624 depending on the number of dependents, and in the case of married persons or heads of family with incomes between \$624 and the applicable exemption under the 20-percent withholding, which ranges upward from \$1,248 depending on the number of dependents. To illustrate: John Smith is a married person claiming the whole of the personal exemption for withholding and has one dependent. His weekly wage is \$30. His weekly family status withholding exemption is \$30 (\$24 because he is a married person claiming the whole of the personal exemption for withholding, plus \$6 because of his one dependent). Since his weekly family status withholding exemption equals the amount of his weekly wage, there will be no withholding for normal tax and first-bracket surtax purposes. However, John Smith's weekly Victory tax withholding exemption is \$12, and since his weekly wage is \$30, he has a Victory tax liability, and his employer will withhold \$0.54 (3 percent of \$18).

The specific wage levels at which only the 3-percent rate is applicable are readily ascertainable, and the Commissioner's regulations can furnish a list of those levels so that employers will not need to make computations in order to determine whether the 3-percent or full 20-percent rate is applicable. For example, a married person with one dependent who claims all of the personal exemption for withholding and who receives less than \$33.18 a week will be subject only to a withholding tax of 3 percent on the amount received in excess of the prorated \$624 Victory tax exemption. For all such persons receiving a weekly wage of \$33.18 or over the rate of withholding will be 20

percent on the amount in excess of the applicable family status withholding exemption.

Under the Victory tax withholding provisions the liability for withholding is placed upon the person having control of the payment of wages. Section 1622 under the Senate bill, like the House bill, specifically designates the "employer" as the person required to withhold and collect the tax. This is a clarifying change. A clerical amendment in the House bill eliminated the provision in section 466 (a) which restricts the withholding to wages includible in gross income. The same change is made in the Senate bill. This limitation, which was designed to exclude from withholding the amount of any wage payment exempted under the law from the tax imposed by chapter 1 of the code, is rendered unnecessary by the changes made in the definition of the term "wages." The phrase "to any individual" was stricken from the requirement of withholding in order to avoid any implication that withholding should not apply merely because wages are received by a corporation, such as a corporate executor of a deceased employee.

Withholding exemption.

The amount of the withholding exemption applicable with respect to any payment of wages is determined under the provisions of section 1622 (b) under the Senate bill. The House bill changed the term "withholding deduction" contained in the Victory tax provisions to "withholding exemption" in order to avoid confusion. The latter designation is also used in the Senate bill. For convenience of reference, the withholding exemption allowable in computing tax at the 20-percent rate has, in the Senate bill, been designated the "family status withholding exemption" and that allowable in computing tax at the 3-percent rate the "Victory tax withholding exemption." The amount of the withholding exemption applicable to all wage payments is determined under the schedules provided in section 1622 (b) and the rules relative to the application of such schedules in certain types of cases are provided in paragraphs (2), (3), and (4) of subsection (b). The schedule of family status withholding exemptions applicable for the purpose of the 20-percent rate provided in subsection (a) (1) is as follows:

Family status withholding exemption

Payroll period	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent other than the first dependent in the case of the head of a family
Weekly.....	\$12.00	\$24.00	\$12.00	0	\$6.00
Biweekly.....	24.00	48.00	24.00	0	12.00
Semimonthly.....	26.00	52.00	26.00	0	13.00
Monthly.....	52.00	104.00	52.00	0	26.00
Quarterly.....	156.00	312.00	156.00	0	78.00
Semiannual.....	312.00	624.00	312.00	0	156.00
Annual.....	624.00	1,248.00	624.00	0	312.00
Daily or miscellaneous (per day of such period) ..	1.70	3.40	1.70	0	.85

The schedule of Victory tax withholding exemptions for the withholding rate of 3 percent is as follows:

	<i>Victory tax withholding exemption</i>
Payroll period:	
Weekly.....	\$12. 00
Biweekly.....	24. 00
Semimonthly.....	26. 00
Monthly.....	52. 00
Quarterly.....	156. 00
Semiannual.....	312. 00
Annual.....	624. 00
Daily or miscellaneous (per day of such period).....	1. 70

The first schedule was changed in the Senate bill from that contained in the House bill, for the reasons stated above. The latter schedule is the same as that provided in section 466 (b) of the code with the exception of an additional line setting forth the amount of the withholding exemption applicable with respect to wages paid for a single day's service in the case of a daily or miscellaneous payroll period, and the designation, "Victory tax withholding exemption." Except for the designation, the schedule is the same as that in the House bill. Under the rules prescribed in paragraphs (2) and (3) of the subsection, the daily or miscellaneous payroll period exemption will be used for computing the amount of the withholding exemption in the case of wages paid on a daily basis, for any period not otherwise provided for in the schedules, or for wages paid without regard to any period. For instance, in the case of wages paid for a 10-day payroll period, the amount of the withholding exemption applicable is \$1.70 per day multiplied by the number of days in such period, or \$17. The same rules apply to the withholding exemption schedule applicable for the purpose of computing the tax at the 20-percent rate.

The rules prescribed in paragraphs (2), (3), and (4) of section 1622 (b) are the same in substance as those provided in paragraphs (2), (3), and (4) of section 466 (b) of the code, and the same as those in the House bill. The Senate bill inserts "withholding" before "exemption." This is a clarifying change.

Paragraph (4) of section 1622 (b) is substantially the same as paragraph (2) of section 466 (b) of the code except that it is made clear that the rule there prescribed is applicable only if authorized by the Commissioner under appropriate regulations. Under this provision, if wages are paid for a period of less than a week or, in the case of wages paid without regard to any period, if the time described in paragraph (3) is less than 1 week, the employer may, if so authorized by the Commissioner, compute the amount of the tax on the basis of the excess of the wages paid during the calendar week over the withholding exemption allowable for a weekly payroll period. If the employer is not authorized to use such method, the tax will be based upon the excess of the wages paid, prorated on a daily basis, over the amount of the daily withholding exemption of \$1.70. The application of this provision is illustrated by the following example:

If a married person (having no dependents) claiming all of the personal exemption for withholding receives in a calendar week \$8 per day for 4 days, his employer may be authorized to withhold upon the amount in excess of \$24 (or \$8) at 20 percent, so that the total amount withheld would be \$1.60. Hence, under such method withholding

would apply beginning with the payment made for the fourth day, since the employee would have received \$24 for the first 3 days. On the other hand, if not so authorized, the employer must use the amounts specified in the schedules for a daily or miscellaneous payroll period, in which case the amount withheld for each day would be 20 percent of the excess of \$8 over \$3.40 (\$4.60), or \$0.92, and the total amount withheld would be four times the latter amount, or \$3.68.

Paragraph 5 of section 1622 (b) under the Senate bill is a new provision which, in order to simplify the work of the employer who withholds under the schedule method, permits him to round out the wages to the nearest dollar in computing the amount of tax to be withheld.

Paragraph (5) of section 466 (b) of the code provides that the total withholding exemption allowed an employee with respect to wages received from any one employer during the calendar year shall not exceed the amount of the withholding exemption allowable for an annual payroll period. This limitation operates to prevent an excessive withholding exemption and consequent underwithholding of the tax in those cases in which the employee receives regular wages plus additional wages in the form of bonuses, commissions, etc. The Senate bill, like the House bill, eliminates this paragraph as unnecessary. Under section 1622 (i) in the Senate bill, the Commissioner is vested with authority to provide appropriate rules for the determination of the withholding exemption applicable in such cases under which the withholding exemption allowed to an employee in any calendar year shall approximate the withholding exemption allowable with respect to an annual payroll period.

Wage bracket withholding.

Under the provisions of section 1622 (c) under the Senate bill, employers may at their option withhold a tax determined under tables provided in such section to be deducted from each wage payment. Such tax shall be in lieu of the tax computed under the percentage rates and required to be withheld under the provisions of subsection (a). The change made in subsection (b) under the Senate bill with respect to the withholding exemption made it possible to provide one table applicable to each payroll period for all employees, regardless of their marital and dependency status. The resulting redesigning and reduction in the number of tables should substantially simplify the employer's task and the amounts withheld will very closely approximate the amounts which would be withheld under the more numerous tables of the House bill. Under this section, tables are provided for weekly, biweekly, semimonthly, and monthly payroll periods. For the convenience of employers making payment of wages for payroll periods other than those comprehended by the above-mentioned tables, or for periods which do not constitute a payroll period, or making payment of wages without regard to any particular period of time, a further table described as the table applicable to a daily payroll period or a miscellaneous payroll period is provided. Under this table the amount of the tax required to be withheld is determined by multiplying the amount of tax shown opposite the particular daily wage bracket by the number of days in the period for which wages are paid or, in the case of wages paid without regard to a period of time, by the number of days which have elapsed between such wage payments, since the date of commencement of employment

during the calendar year, or January 1, of the calendar year, whichever is the later.

The rules relating to the application of the above-mentioned tables to specific types of cases are prescribed in paragraphs (2), (3), and (4) of section 1622 (c) under the Senate bill. These rules are in substance the same as those prescribed in paragraphs (2), (3), and (4) of section 466 (b) of the code, and are identical, apart from minor changes, with those prescribed in the House bill, for the purpose of determining the amount of the withholding exemption in cases where the tax is determined by application of the percentage rate to the wages paid. For example, if wages are paid for a period which does not constitute a payroll period, paragraph (2) of section 1622 (c) provides that the amount of tax to be withheld shall be computed by multiplying the tax shown opposite the appropriate wage bracket in the miscellaneous table by the number of days contained in the period for which such wages were paid. Paragraph (4) of that section provides that if wages are paid for a period of less than 1 week the employer may be authorized by the Commissioner to compute the tax under the table applicable in the case of a weekly payroll period. If the employer is authorized to use the table applicable to the weekly payroll period, the aggregate of the wages paid to the employee during the calendar week shall be considered as the weekly wage.

Paragraph 5 of section 1622 (c) under the Senate bill is a new provision which, in order to simplify the work of the employer who withholds under the table method with respect to employees whose wages exceed the highest wage bracket in any table, permits him to round out the wages to the nearest dollar in computing the amount of tax to be withheld.

Tax paid by recipient.

Section 1622 (d) under the Senate bill is substantially the same as section 466 (d) of the code and the corresponding provision of the House bill. However, the language has been changed in order to make clear that nothing contained in the subsection should be construed to relieve the employer of the duty imposed by law to withhold and pay the tax. Under this provision, payment by the recipient of the income of the tax required to be withheld by the employer relieves the employer from payment of the tax but does not relieve him from liability for additions to the tax or penalties for failure to withhold, collect, and pay the tax in accordance with the provisions of the subchapter.

Nondeductibility of tax.

Section 1622 (e) under the Senate bill provides that the tax withheld and collected at the source on wages shall not be allowed as a deduction either to the employer or the recipient of the income in computing net income. However, provision is made by an amendment to section 35 of the code for credit for tax withheld at source in the case of the recipient of the income. This represents a clerical change from the House bill.

Refunds or credits.

Subsection (f) provides that the refund or credit of any overpayment of the tax required to be withheld and collected shall be made to the employer only to the extent that the amount of the overpay-

ment was actually withheld and collected from the employee. The provision differs from the House bill by reason of the fact that the provisions of law applying to the Social Security tax on employees under section 1400 have been made applicable. The subsection contains a cross-reference to the provision for credit or refund to recipients of income in the case of excessive withholding.

Included and excluded wages.

Subsection (g) under the Senate bill is identical with the corresponding provision of the House bill. This subsection provides that if the remuneration paid for services performed during one-half or more of any payroll period constitutes wages, all the remuneration paid for such period shall be deemed to be wages; but if the remuneration paid for services performed during more than one-half of such payroll period does not constitute wages, then none of the remuneration paid for such period shall be deemed to be wages. The subsection has application only to remuneration paid for a period of not more than 31 consecutive days which constitutes an established payroll period within the meaning of the definition contained in section 1621 (b). It has no application to remuneration paid at irregular intervals or to remuneration paid without regard to any period. The 31-day limitation is intended to minimize changes in pay periods in order to avoid withholding.

Withholding exemption certificates.

Subsection (h) of section 1622 under the Senate bill requires every employee receiving wages to furnish his employer a signed withholding exemption certificate in such form and containing such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe. The purpose of the certificate is to enable the employer to determine the amount of the withholding exemption applicable to the wages of each employee or, if the employer elects under section 1622 (c) to adopt wage-bracket withholding, the amount to be withheld under that subsection. The status of the employee as single person, married person claiming all of personal exemption for withholding, married person claiming half of personal exemption for withholding, married person claiming none of personal exemption for withholding, head of family, and the dependents to be taken into account by the employer for withholding purposes, are to be determined in accordance with the certificate furnished by the employee. Once in effect a certificate is to continue in effect until another certificate furnished by the employee takes effect. If no certificate is in effect with respect to an employee, the employer is to treat such employee as a married person claiming none of the personal exemption for withholding so that with respect to such employee there will be no withholding exemption in effect. Similarly, if the employer uses the wage-bracket tables, the amounts to be withheld from the wages of an employee with respect to whom there is no withholding certificate in effect are to be determined in accordance with the tables provided in the case of a married person claiming none of the personal exemption for withholding. In case of a change of status, the employee is required to furnish a new certificate not later than 10 days after such change occurs. This is a change from the House bill, designed to make clear that in the case of a change of status the employee must furnish a new certificate showing that change.

Under the House bill, changes in the employee's withholding exemption status are permitted at any time, but it is provided that the employer shall have at least 30 days from the date of notification of a change in status before being required to give effect to such change. Under subsection (h) of the Senate bill the employer is not required to give effect to a change in status more than twice during each calendar year. The modified rule is as follows:

(1) If the employee furnishes a withholding exemption certificate after the date of commencement of employment, the certificate is to take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least 30 days from the date on which such certificate is furnished. For the purposes of this provision, the status determination dates are fixed as January 1 and July 1 of each year. These provisions are a modification of those under the House bill, designed to allow employers ample time in which to adjust payroll and other accounting records to conform to the withholding exemption certificates furnished by employees after the date of commencement of employment. Wherever feasible, however, employers may give earlier effect to such certificates. (2) If the employee furnishes a withholding exemption certificate on or before the date of commencement of employment, the certificate is to take effect as of the beginning of the first payroll period ending on or after the date on which the certificate is furnished or with respect to the first payment of wages made without regard to a payroll period on or after such date.

The rules set forth under (1) above are applicable to all wage earners who are employed on July 1, 1943, when the new withholding provisions take effect. The rules under (2) above apply in the case of new employment or reemployment, after an interruption in employment with the same employer, occurring after July 1, 1943. In applying these rules in the case of an employee intermittently hired and rehired by the same employer at frequent intervals, such employee shall be deemed to have commenced his employment at the time of the first hiring.

Overlapping pay periods, etc.

Section 1622 (i) under the Senate bill authorizes the Commissioner, under regulations prescribed with the approval of the Secretary, to provide suitable rules for the determination of the withholding exemption and the application of the wage-bracket tables with respect to various types of wage payments which do not fall readily within the statutory pattern which is necessarily designed to fit the customary type of periodic wage payments. The problems intended to be covered by these regulations are those arising generally in case of supplementary payments in the form of bonuses, commissions, dismissal wages, and the like, made in addition to periodic wage payments, and payments made with respect to periods beginning in one calendar year and ending in a different calendar year. The Senate bill changed the language of the corresponding provision of the House bill in order to make clear that the purpose of this provision is to limit the withholding exemption allowed to an employee in any calendar year to an amount approximating the withholding exemption allowable with respect to an annual payroll period.

Payments supplementary to periodic wage payments are made in various ways. Such payments may consist of commissions or bonuses paid each payroll period and covering the same or different periods as the regular wage payment or they may be made without regard to any particular period. The actual payment of the supplementary remuneration may or may not coincide with an actual payment of periodic wages. Such payments of supplementary remuneration raise the problem as to the proper handling of the withholding exemption and the wage-bracket tables in order to provide for the allowance of the appropriate withholding exemption and the deduction of the appropriate amount of tax.

For example, an employee's remuneration may consist of wages paid at periodic intervals plus additional wages in the form of a bonus paid at the end of each 6 months' period. If the tax required to be withheld and collected at the source is computed independently with respect to each such payment of wages, after giving effect to the withholding exemption applicable to each such payment, it is apparent that such employee will have been allowed the entire amount of the withholding exemption to which he is entitled for a full calendar year. Hence, he should not be entitled to any withholding exemption with respect to wage payments made by the same employer during the balance of the calendar year. The same result would obtain if the tax on the periodic wage payments was withheld under the table applicable to such periods and the tax on the bonus was withheld on the percentage basis after allowance of the amount of the withholding exemption applicable to a 6 months' period. It is obviously more desirable to have the withholding exemption to which the employee is entitled spread over the wage payments for the entire calendar year. Moreover, it is considered undesirable to burden the employer with the necessity of keeping records in order to determine at a given time the aggregate amount of the withholding exemption previously allowed to the employee.

Under the Senate bill, as in the House bill, the maximum amount allowable as a withholding exemption to an employee with respect to the wages paid by any one employer during the calendar year should approximate the amount of the withholding exemption allowed for an annual payroll period, whether such exemption is based on the schedules provided in subsection (b) of section 1622 or is reflected in the tables contained in subsection (c). For these reasons, it is expected that the Commissioner will provide reasonable regulations for the appropriate treatment of all such supplementary or overlapping wage payments. Such regulations should insure, on the one hand, that the amount of tax withheld by the employer will approximate the amount that would be withheld and collected if all wages paid to the employee by such employer were paid at periodic intervals throughout the calendar year and, on the other hand, that the employee will receive the benefit of withholding exemptions approximating in the aggregate the amounts specified under the schedules for an annual payroll period.

Withholding on basis of average wages.

The Senate bill added a new provision, which is contained in subsection (j), to permit withholding to be based on average wages. Under this provision, the Commissioner may, under regulations,

authorize employers to estimate the wages which will be paid to any employee in any quarter of a calendar year; determine the amount to be withheld and collected upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid; and to withhold and collect upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually withheld and collected upon the wages of such employee during such quarter to the amount otherwise required to be withheld during such quarter. This provision is designed to promote the efficient functioning of the withholding system in cases where there is steady employment and little fluctuation in wages between pay periods, so that a reasonably accurate average can be estimated, and it is expected that the Commissioner's regulations will prescribe rules appropriate to that end.

Liability for tax.

Section 467 of the code consists of subsections (a), (b), and (c). The House bill changed the headings and combined subsections (a) and (b) into new subsection (a). These were clerical amendments made because of the new definition of the term "employer" contained in section 465 (d) under the House bill and effected no substantive change in the law. Subsection 465 (b) under the House bill, relating to adjustments, was identical with section 467 (c) of the code. Under the Senate bill the corresponding section (sec. 1623) omits the provision for adjustments, since the adjustment authorization provision of section 1401 (c) of the code is made applicable.

Returns.

The House bill provides for quarterly returns by the employer of tax withheld at source. The Senate bill omits the House provisions with respect to return and payment of the tax by employers. These requirements, under the Senate bill, are governed by the applicable provisions which apply to the tax imposed by section 1400. The provisions of the House bill relating to the determination of deficiencies have also been omitted in the Senate bill.

The change in the Senate bill from a system of collection, payment, and administration based upon the principles applicable to the income tax to a system of collection, payment, and administration based upon the principles underlying the collection of the social-security tax on wages has been made in order to promote efficiency and flexibility in the administration of the tax by the Government and the operations of the employer thereunder. This change, however, does not contemplate any departure from the basic principle that the responsibility and legal duty for withholding and paying the tax, etc., rests with the employer. In view of this basic principle, the Senate bill, in section 1624, retains the provision of the House bill that if the United States, a State, Territory, or political subdivision, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing is the employer, the return of the tax may be made by the officer or employee having control of the payment of wages or other officer or employee appropriately designated for that purpose.

Receipts.

Section 469 of the code, relating to receipts, was amended by the House bill in two respects. Subsection (a) of section 469 was amended to eliminate the language which requires the employer to show on the receipt the period of employment covered by such receipt. As so amended, the section would specifically require only that the receipts show the amount of wages paid and the amount of tax withheld with respect thereto. The Commissioner is granted authority to prescribe by regulations the form and content of such receipts and, if he finds it necessary, he may require that the periods of employment be shown. Subsection (b) of section 469 of the House bill provided that the receipts should be in lieu of the information returns with respect to wages, but information returns would still be required with respect to remuneration not subject to withholding. Under the Senate bill, these House provisions are retained as section 1625 (a) and (b), and a clerical amendment is made in the heading and in the reference to "subchapter" rather than "part." The Senate bill contemplates that a duplicate of each receipt shall be furnished to the Government and provides that the furnishing of such duplicates shall be in lieu of the filing of form 1099 information returns.

Subsection (c) of section 1625 under the Senate bill alters the provisions relating to extension of time for the furnishing of receipts to employees. By the terms of the amendment the Commissioner under regulations prescribed by him with the approval of the Secretary is empowered to grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the receipts required to be furnished to employees. Thus, the extension privilege will no longer be limited to the receipt to be furnished on the day on which the last payment of wages is made but may be applied in the case of receipts to be furnished at the close of the calendar year.

Penalties.

Under the House bill subsections (a) and (b) of section 470, relating to penalties for fraudulent receipts or failure to furnish receipts, are identical with existing law. Under the Senate bill these penalty provisions remain substantially the same. The section has been renumbered as section 1626 and certain other clerical amendments have been made to adjust the provisions to the section of chapter 9 of the code.

Under the House bill subsection (c) of section 470 was amended to increase from \$5 to \$10 the minimum addition to the tax for failure by the employer to make and file a return required by this subchapter within the time prescribed by law or prescribed by the Commissioner in pursuance of law. The Senate bill retains this provision as section 1626 (c) with clerical changes required by the shift to chapter 9 of the code.

Section 470 (d) was a new provision added to the code by the House bill. This section provides appropriate penalties applicable to employees who willfully supply false or fraudulent withholding exemption certificates or who willfully fail to supply information which would decrease the withholding exemption. The penalty in each instance is a fine of not more than \$500 or imprisonment of not more than 1 year, or both, and such penalties are in lieu of those provided in section 145 (a) of the code. This provision with minor

modifications is retained in the Senate bill as section 1626 (d). As amended the statutory language makes clear that the penalties are applicable in the case of an employee who willfully supplies false and fraudulent information, or who willfully fails to supply information, which would require an increase in the tax to be withheld at source on his wages. Reference to section 145 (a) was eliminated because of the change from chapter 1 to chapter 9 of the code.

Under the bill as passed by the Senate, as has been previously noted, the withholding provisions have been shifted to chapter 9 of the code. To reflect this technical alteration an additional section has been added to the withholding provisions, namely, section 1627, and a subchapter E, to follow subchapter D of chapter 9, has been added. These new provisions are discussed below.

Other Laws Applicable.

Section 1627 under the Senate bill provides that all provisions of law, including penalties, applicable with respect to the social-security tax on employees imposed by section 1400 shall, insofar as applicable and not inconsistent with the provisions of new subchapter D of chapter 9, be applicable with respect to the tax imposed under that subchapter.

Verification of Returns.

Subchapter E of chapter 9 under the Senate bill contains certain provisions which will apply to chapter 9 generally. Under that bill there are two sections in subchapter E, namely, section 1630 and section 1631.

General provisions with respect to verification of returns, and related matters, are contained in section 1630. The Commissioner is empowered under subsection (a) to require that any return, statement, or other document required to be filed under chapter 9 shall contain or be verified by a written declaration that such return, statement, or other document is made under the penalties of perjury. To exercise this power the Commissioner is to prescribe appropriate regulations with the approval of the Secretary. The subsection makes clear that the declaration made under the penalties of perjury shall be in lieu of any oath otherwise required. Thus, the regulations may provide that the oath may be dispensed with in the case of employers making returns under chapter 9.

Subsection (b) of section 1630 provides for penalties in the case of a person who willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter. The subsection states that such person shall be guilty of a felony, and, upon conviction, shall be subject to the penalties prescribed for perjury in section 125 of the Criminal Code.

Special Provision for Payment of Withheld Taxes.

Section 1631 relates to the use of incorporated banks or trust companies (which are depositories or financial agents of the United States) in connection with the payment of taxes under chapter 9. Under this section the Secretary may authorize such incorporated banks and trust companies to receive any taxes under chapter 9 in such manner, at such times, and under such conditions as he may prescribe. If the

Secretary should make such authorization, he shall prescribe the manner, times, and conditions under which the receipt of chapter 9 taxes by authorized incorporated banks and trust-companies is to be treated as payment of such taxes by the collectors. Withholding under the new system will involve very considerable amounts of tax moneys which will be withheld from the wages of employees. These funds will not belong to the employers. It may well prove desirable to provide a method by which these funds will be turned over by employers, and reach their way into the Treasury, more rapidly and more currently than, for example, on a quarterly basis. The purpose of section 1631 is to provide a flexible method by which this objective may be accomplished without placing an undue strain on the administrative tax collection machinery.

Technical amendments.

Section 2 (b) of the House bill was a technical amendment changing the heading of subchapter D of chapter 1 of the Internal Revenue Code. This amendment is unnecessary under the new structure provided in the Senate bill; accordingly, section 2 (b) of the Senate bill contains other technical amendments in keeping with the rearrangement effected thereunder. Paragraph (1) amends section 34 of the code by omitting reference to section 466 (e), relating to credit for Victory tax withheld at source under the system in effect prior to July 1, 1943. Paragraph (2) amends section 322 (f) of the code, which is likewise a cross-reference provision, to provide a cross-reference to section 1622 (f), relating to refunds or credits to employers and to recipients of income, instead of to section 466 (f), the present credit provision relating to the Victory tax.

Section 476 of the code provides that the taxes imposed by subchapter D of chapter 1 shall not apply to any taxable year commencing after the date of cessation of hostilities in the present war. Section 2 (c) of the House bill amends section 476 to limit the application of this provision to the Victory tax imposed by part I of subchapter D of chapter 1. Section 2 (c) of the Senate bill amends section 476 so that the tax imposed by part II of subchapter D of chapter 1 shall not apply with respect to any wages paid after June 30, 1943. Wages (as defined in sec. 1621 (a)) paid after that date will be subject to the provisions of subchapter D of chapter 9.

Effective date.

Section 2 (d) of the Senate bill, relating to the effective date, provides that the amendments made by section 2 (a) and (b) shall take effect on July 1, 1943, and shall be applicable to all wages paid on or after such date.

CONFERENCE AMENDMENT.

The conference amendment retains with the following changes the provisions of the Senate bill with respect to collection of income tax at source on wages:

In section 1621 (b) the word "daily" has been inserted in the definition of a miscellaneous payroll period. This is a clerical change.

In section 1622 (b) (2) and section 1622 (c) (2) the parenthetical expression "(including Sundays and holidays)" has been inserted in the interest of clarity.

Paragraph (5) of section 1621 (c) provides that in determining the amount to be deducted and withheld under the table method the wages may, at the election of the employer, be computed to the nearest dollar. This provision has been changed to qualify the rule so as to make it clear that it is applicable only if the wages exceed the highest wage bracket in the applicable table. Thus, the rule is applicable in the case of a weekly payroll period where the weekly wage exceeds \$200.

The provisions of section 1622 (h) have been amended in order to provide more logical rules for the effective date of withholding exemption certificates. The first rule, contained in paragraph (1), has been limited to certificates furnished after the date of commencement of employment with the employer by reason of a change of status. The second rule, contained in paragraph (2), has been extended to include the case of any certificate furnished otherwise than by reason of a change of status.

Section 1622 (h) has also been amended by adding the expression "and having no dependents". The purpose of this change is to avoid any misapprehension as to the consequences in a case where no withholding certificate is in effect.

A new paragraph (4) has been added to section 1621 (i). This paragraph authorizes the Commissioner, with the approval of the Secretary, to prescribe regulations for determining the manner of withholding and the amount to be deducted and withheld, in the case of a payment of wages by an employer to an employee through an agent, fiduciary, or other person who also has the control, receipt, custody, or disposal of, or pays, the wages payable by another employer to such employee. In such a case the withholding exemption of the employee for any one year is to approximate the withholding exemption allowable with respect to an annual payroll period. To illustrate the application of this provision: Five companies maintain a central agency which carries on the administrative work of the companies. This central agency or organization consists of a staff of stenographers, clerks, bookkeepers, and so forth. The expenses of the central agency, including wages paid to the foregoing employees, are borne by the companies in certain agreed proportions. Under the arrangement, each company is the employer of each employee on the staff of the central agency. Under the provisions of new paragraph (4), the Commissioner is authorized to provide that each such employee will be entitled in any one year only to an aggregate withholding exemption which shall approximate the withholding exemption allowable with respect to an annual payroll period, rather than to five such withholding exemptions.

A complementary provision has been inserted as new section 1632. This section is made a part of subchapter E of chapter 9 of the code. Consequently, its provisions are applicable with respect to all of the taxes imposed under chapter 9. This section provides that in case a fiduciary, agent, or other person has the control, receipt, custody, or disposal of, or pays, the wages of an employee or group of employees, employed by one or more employers, the Commissioner, under regulations prescribed by him with the approval of the Secretary, is authorized to designate such fiduciary, agent, or other person, to perform such acts as are required of employers under chapter 9 and as the Commissioner may specify. If such designation is made, all

provisions of law (including penalties) applicable in respect of an employer shall be applicable to such fiduciary, agent, or other person so designated, except as may be otherwise prescribed by the Commissioner with the approval of the Secretary. However, except as so provided, the employer for whom such fiduciary, agent, or other person acts shall remain subject to the provisions of law (including penalties) applicable in respect of employers.

Thus, in the illustration given above of the five companies maintaining a central agency to carry on their administrative work, the Commissioner may designate such central agency or organization to perform such of the acts with respect to withholding, return and payment of the tax, the furnishing of receipts, and so forth, as the Commissioner may specify. However, such a designation relieves the employer of responsibility only to the extent that the Commissioner prescribes.

The expression "an employee" contained in section 1622 (i), following paragraph (4) of that subsection has been changed to "the employee". This is a clarifying change.

Section 1625 (c), relating to extensions of time for the furnishing of receipts, has been changed by striking out the words "to employees". This is a clarifying change designed to make certain that the Commissioner's authority to grant extensions of time for the furnishing of receipts extends to the receipts required to be furnished by the employer with his return of withheld taxes.

Sections 2 (c) and (d), relating respectively to the expiration date of the withholding provisions of the Victory tax (Part II, subchapter D of chapter 1 of the code) and the effective date of the withholding provisions under subchapter D, chapter 9 of the code, have been changed. The change with respect to the expiration date of withholding under the Victory tax provides that such withholding shall not apply with respect to any wages paid after June 30, 1943, unless such wages are paid during the calendar year 1943 with respect to a payroll period beginning on or before June 30, 1943. The change with respect to the effective date of withholding under the bill provides that such withholding shall take effect July 1, 1943, and shall be applicable to all wages paid on or after such date, except that it shall not be applicable to wages paid during 1943 with respect to a payroll period beginning before July 1, 1943.

MISCELLANEOUS AMENDMENTS

DESCRIPTION OF HOUSE AND SENATE BILLS.

Credit for tax withheld at source on wages.

Section 3 of the Senate bill amends section 35 of the code to provide that the amount of the tax withheld and collected under subchapter D of chapter 9 shall be allowed as a credit to the recipient of the income against the income (including Victory) tax imposed by chapter 1. The credit for the amount withheld during any calendar year upon the wages is to be allowed as a credit to the recipient of the income against the tax for the last taxable year beginning in such calendar year. Apart from a clarifying change this provision is substantially the same as the corresponding provision in the House bill.

Excessive withholding.

Section 4 (a) of the Senate bill, which amends section 322 (a) (2) of the code, relating to excessive withholding, is the same in substance as section 3 (a) of the House bill, which made a clarifying amendment to section 322 (a) (2).

Authority to make credits against estimated tax.

Section 4 (a) also adds a new paragraph (3) to section 322 (a). This provision authorizes the Commissioner to prescribe with the approval of the Secretary regulations providing for a credit against estimated tax for any taxable year of the amount determined by the taxpayer or the Commissioner to be an overpayment of the tax for a preceding taxable year.

Under the new procedure in the declaration and payment of the estimated tax (the first installment of which will generally be payable at the same time as the making of the return and final payment of the tax for the preceding taxable year) a class of cases will arise in which it is apparent that the tax for the preceding taxable year has been overpaid. The Commissioner should have the same authority to credit an overpayment of the tax for a preceding taxable year against the estimated tax for the current taxable year as he has under existing law with respect to the tax for the current taxable year. Permitting the taxpayer on his return or on his declaration to compute the overpayment and credit it against his estimated tax in his declaration would obviate unnecessary remittances by the taxpayer of the estimated tax and unnecessary refunds by the Commissioner. The administration of the provisions of the bill may therefore require some crediting procedure as to the estimated tax in addition to that now provided in section 322 (a) (1).

In the absence of administrative experience in the field, it seemed wiser, in providing such additional credit, not to require the credit to be made or permitted, but to grant authority to the Commissioner to make or permit this type of credit, together with authority by regulation to specify the terms, conditions, extent, and effect of the credit to be made or permitted to be made. Among the matters to be covered by the regulations if the authority is exercised are—

(1) Whether and to what extent and under what conditions the taxpayer shall be allowed to take the credit on his declaration; and (2) whether the effect of the credit (whether taken by the taxpayer or made by the Commissioner) is to be like the credit allowed under section 35 of the code or like the credit specified by section 322 (a) (1). If, under this provision, the Commissioner authorizes a credit against the estimated tax of the character of that prescribed in section 322 (a) (1), such credit will constitute a payment of the estimated tax both generally and for the purposes of section 59 (b); and if the determination of the overpayment proves to have been erroneous, the year for which the overpayment was determined is adjusted.

Presumption as to date of payment.

Section 4 (b) of the Senate bill amends section 322 (e) of the code, relating to presumption as to date of payment, to include tax actually withheld and collected at the source under subchapter D of chapter 9; to insure the application of the rule to the proper taxable year; and to provide for the application of the same rule with respect to payments of estimated tax.

Delegation of authority to collectors to make refunds.

Subsection (c) of section 4 of the Senate bill amends section 3770 (a) of the code, relating to authority to make refunds. New paragraph (4) has been added which authorizes the Commissioner to delegate, with the approval of the Secretary, to the various collectors any authority, duty, or function which the Commissioner is required to exercise or perform with respect to the making of refunds, and the like, in respect of any individual, estate, or trust, where the amount involved does not exceed \$1,000. This provision makes it possible for the Commissioner to delegate to the collectors the function of making refunds of such amounts, not in excess of \$1,000, as the Commissioner may prescribe. This provision will permit the administrative authorities to handle refunds more expeditiously.

Rule where no tax liability.

Section 4 (d) of the Senate bill adds new subsection (c) to section 3770 of the code. Under this provision an amount paid as tax shall not be considered not to constitute an overpayment solely because there was no tax liability in respect of which that amount was paid.

The income-tax law requires the taxpayer to make a return of his tax and to pay the tax so returned. These requirements contemplate that in the discharge of these duties at the time, place, and manner prescribed, honest mistakes will occur—mistakes both as to the amount of the tax and as to the existence of any tax liability; and that such honest mistakes made incident to the bona fide orderly compliance with the actual or reasonably apparent duties of the taxpayer are to be corrected under the provisions of law governing overpayments. It is believed that existing law so provides. The language of certain court decisions (holding that certain payments, not made incident to a bona fide and orderly discharge of actual or reasonably apparent duties imposed by law, are not overpayments and accordingly that interest is not payable) has been read by some as meaning that no payment can result in an overpayment if no tax liability actually existed. It is not believed that such reading is in any way a statement of existing law. The provisions of the bill, however, emphasize the need for clarity in this regard.

Under the bill as passed by the Senate, two requirements become basic features of the income tax: (1) The declaration and payment of the estimated tax; and (2) the withholding and collection by the employer of tax from the wages of employees, and the return and payment as such of the amount by the employer to the Government. Honest mistakes incident to faithful and orderly compliance will, of course, occur, just as they have in the older procedures of the tax. The doubts expressed as to the existence of an overpayment in case it ultimately turns out that there is no tax, it is believed should be put to rest, and to this end the amendment to section 3770 of the code was inserted in the Senate bill. It is thought that the code does not contemplate that liability for interest can be cast on the Government by merely dumping money as taxes on the collector, by disorderly remittances to him of amounts not computed in pursuance of the actual or reasonably apparent requirements of the code, or not transmitted in accordance with the procedures set up by the code, or by other abuses of tax administration. As to these, a proper application of existing law will enable the courts, in the future as generally in the past, to deny treatment as overpayments to these improper payments.

Cross reference.

Section 4 (e) of the Senate bill changes the designation of the last subsection of section 3771 to subsection "(f)". This is a cross reference provision.

Review of allowance of interest.

Section 4 (f) of the Senate bill corresponds to section 3 (b) of the House bill and amends section 3790 of the code relating to prohibition of administrative review of the Commissioner's decision on the merits of claims presented under the internal revenue laws. Because of the difficulty of applying the rules provided in the House bill, the Senate bill has extended the scope of section 3790 to include interest on any credit or refund under the internal revenue laws.

CONFERENCE AMENDMENT.

The conference amendment retains with the following changes the provisions of the Senate bill covering miscellaneous amendments:

Section 4 (a) of the Senate bill, amending section 322 (a) (2) of the code (relating to excessive withholding), has been amended to make clear that where the amount of the tax withheld at source on wages is in excess of the income (including Victory) tax imposed by chapter 1, the amount of such excess shall be considered an overpayment. This amendment does not effect any change in substance.

Section 4 (b) of the Senate bill, which amends section 322 (e) of the code (relating to presumption as to date of payment) has been amended in two respects: First, it has been changed to provide that the tax actually deducted and withheld at the source on wages shall be deemed to have been paid by the recipient of the income not earlier than the fifteenth day of the third month following the close of his applicable taxable year; second, a clerical change is made, which omits the reference to the case of a nonresident alien individual. This second change is required by reason of the conference change which makes the return date of certain nonresident alien individuals the same as the return date for citizens and residents of the United States.

Section 4 (c) of the Senate bill, which amends section 3770 (a) of the code by authorizing delegation of authority to collectors to make refunds, has been changed to make clear that the amount involved, i. e., \$1,000, is to be determined without regard to interest, penalties, additions to the tax, and additional amounts. Such items are, however, within the scope of the authorized delegation.

The references throughout the foregoing portion of the bill to withholding at the source have been made uniform, so that the reference now is to "deduction and withholding". These are clerical changes, and do not effect any change in substance.

CURRENT PAYMENT OF TAX NOT WITHHELD AT SOURCE

DESCRIPTION OF HOUSE AND SENATE BILLS.

The House bill provided for a system of current payment of individual income tax only to the extent of a so-called estimated basic tax (net Victory tax plus normal tax plus first-bracket surtax) on income not constituting wages subject to withholding at source. The system proposed under the Senate bill provides for the current col-

lection of all individual income (including Victory) tax on income to the extent that such taxes are not paid through withholding at source.

Section (5) of the Senate bill strikes sections 58, 59, and 60 of the code, which are cross-reference provisions, and inserts in lieu thereof new sections 58, 59, and 60 to provide for the current payment of that portion of the individual's tax liability not required to be withheld at source. Withholding at source is at a rate designed to approximate the net Victory tax, the normal tax, and first-bracket surtax and applies only with respect to wages (as defined in sec. 1621). The current payment system is designed to provide for collection during the taxable year of the remaining tax liability for such year. Accordingly, it provides for the current collection of the net Victory tax on income not subject to withholding at source, for the current collection of the surtax above the first bracket on wages, and for the current collection of the normal tax and surtax on income not subject to withholding at source. The amount of the current payment is to be determined upon the basis of a declaration by the taxpayer of his estimated tax liability for the current taxable year.

Requirement of declaration.

Subsection (a) of section 58 under the Senate bill prescribes the rules for determining what persons are required to make a declaration of estimated tax. Nonresident aliens and estates and trusts are specifically excepted from the requirement to make such declaration and from the current payment system. Under the House bill, nonresident alien individuals who are residents of a contiguous country and who enter and leave the United States at frequent intervals were not excepted from the requirement for a declaration. The Senate bill excepted all nonresident aliens from the operation of the current payment system.

The requirements as to who shall make and file a declaration are based generally upon the amount and kind of the estimated gross income for the current taxable year or the amount and kind of the actual gross income for the preceding taxable year, and the personal status of the individual as single or married at the time prescribed for the making of the declaration. Under the House bill, the amounts of gross income which determined the necessity for a declaration of estimated tax were based upon the amounts which determined the necessity for a return under section 51. Under the Senate bill provision is made for declarations of estimated tax in certain cases by persons required to make returns of Victory tax under the provisions of section 455, even though such persons would not be required to make returns under the provisions of section 51. These amendments are designed to collect the Victory tax currently in the case of individuals who are not subject to withholding at the source and to equalize the system of current collection as between such persons and persons subject both to the Victory tax and the regular income tax.

Under the conditions set forth in section 58 (a) in the Senate bill every individual who, at the time prescribed for the making of the declaration, is single or is married but not living with husband or wife shall make and file a declaration of his estimated tax for the taxable year if—

- (1) His gross income from wages (as defined in sec. 1621) can reasonably be expected to exceed \$2,700 for the taxable year; or

(2) His gross income from wages (as defined in sec. 1621) did exceed \$2,700 for the preceding taxable year; or

(3) It can reasonably be expected that for the taxable year his gross income from sources other than wages (as defined in sec. 1621) will exceed \$100 and his gross income from all sources will amount to \$500 or more; or

(4) His gross income for the preceding taxable year from sources other than wages (as defined in sec. 1621) did exceed \$100 and his gross income from all sources for the preceding taxable year was \$500 or more.

Every individual who, at the time prescribed for the making of the declaration, is married and living with husband or wife shall make a declaration of his estimated tax for the taxable year if—

(1) It can reasonably be expected that for the taxable year, such individual will receive gross income from wages (as defined in sec. 1621) and the aggregate gross income of such individual and such spouse from wages will exceed \$3,500; or

(2) In the preceding taxable year, such individual received gross income from wages (as defined in sec. 1621) and the aggregate gross income of such individual and such spouse from wages exceeding \$3,500; or

(3) It can reasonably be expected that for the taxable year such individual will receive gross income from sources other than wages (as defined in sec. 1621), the aggregate gross income of such individual and such spouse from sources other than wages will exceed \$100, and (a) the gross income from all sources of such individual will exceed \$624 or (b) the aggregate gross income of such individual and such spouse from all sources will amount to \$1,200; or

(4) In the preceding taxable year such individual received gross income from sources other than wages (as defined in sec. 1621), the aggregate gross income of such individual and such spouse from sources other than wages exceeded \$100, and (a) the gross income from such sources of such individual for the preceding taxable year exceeded \$624, or (b) the aggregate gross income from all sources of such individual and such spouse for the preceding taxable year was \$1,200 or more.

For the purposes of section 58, the amount of the gross income which the taxpayer can reasonably be expected to receive or, in the case of a taxpayer upon the accrual basis, the amount which can reasonably be expected to accrue, shall be determined upon the basis of the facts and circumstances existing as of the time prescribed for the making of the declaration.

Contents of declaration.

Subsection (b) of section 58 in the Senate bill prescribes the rules relative to the form and content of the taxpayer's declaration of estimated tax. It is required generally that the declaration shall be in such form and contain such information as may be prescribed by the Commissioner under regulations approved by the Secretary. Subsection (b) specifically requires that the declaration shall state (1) the amount which the taxpayer estimates as the amount of his tax under sections 11 and 12, or section 400, as the case may be, and the Victory tax imposed

by section 450 (adjusted for the credit provided in sec. 453), without regard to any credits for tax withheld at source; (2) the amount which he estimates as the amount of the credits allowable for the taxable year under sections 32, 35, and 466 (e) on account of tax withheld at source on tax-free covenant bonds and wages; and (3) the excess of the amount estimated under (1) over the amount estimated under (2). Under subsection (b) the "estimated tax for the taxable year" is the excess of the amount estimated by the taxpayer as the tax imposed by chapter 1 (without regard to the credit for taxes withheld at source) over the amount which the taxpayer estimates as the amount allowable as a credit for the taxable year for taxes withheld at the source. The subsection further provides that every declaration of estimated tax for the taxable year shall contain or be verified by a written statement that it is made under the penalties of perjury.

Joint declaration by husband and wife.

Under the provisions of subsection (c) of section 58 in the Senate bill, a husband and wife living together at the time prescribed for making a declaration may elect to make a joint declaration in which case the liability with respect to the estimated tax shall be joint and several. A joint declaration by husband and wife shall be signed and verified by both spouses. If the declaration is signed by one spouse as agent for the other, authorization for such action must accompany the declaration. No joint declaration is permitted if either husband or wife is a nonresident alien. If the husband and wife make a joint declaration but do not make a joint return for the taxable year the amounts paid on account of the estimated tax for such year may be treated as payments on account of the tax liability of either the husband or wife for the taxable year or may be divided between them in any manner they see fit.

Time and place for filing declarations.

The time and place for filing declarations of estimated tax required under section 58 under the Senate bill are prescribed in subsection (d) of such section. Such declarations must be filed on or before the 15th day of the third month of the taxable year by every person whose then anticipated income for the current taxable year or whose actual income for the preceding taxable year meets the requirements of subsection (a). In the more usual case of taxpayers on the calendar year basis, such declarations are to be filed on or before the 15th day of March. In the case of taxpayers on a fiscal year basis, such date will be the 15th day of the third month of the particular fiscal year. If, under the provisions of subsection (a), a declaration is not required on or before the 15th day of the third month of the taxable year but subsequent thereto the facts and circumstances are such that the gross income for the taxable year can reasonably be expected to meet the requirements of such subsection, a declaration of the estimated tax liability is required to be filed. In such event, the declaration must be filed on or before the 15th day of the last month of the quarter of the taxable year in which the requirements of subsection (a) are first met. For instance, a single person was hired on January 2, 1944, at a salary of \$2,400 per annum. He had no other source of income, could not reasonably expect to receive any other income, and did not receive any income during the preceding taxable year. In the absence of any change of circumstances before

March 15, 1944, such person is not required to make a declaration as of that date. On July 1 such person was advised that he was promoted to a higher position and that thereafter his salary would be increased to \$3,200 per year. Hence, on that date the gross income of such person for the taxable year could reasonably be expected to exceed \$2,700. Therefore, assuming that such taxpayer makes his income-tax return on a calendar year basis, a declaration of his estimated tax liability for the taxable year should be filed on or before the 15th day of September of such year.

Under the provisions of subsection (d), an amended or revised declaration is permitted, subject to such regulations as may be prescribed by the Commissioner with the approval of the Secretary. Such amended or revised declaration may be filed in any quarter of the taxable year subsequent to the quarter in which the declaration or the last amended declaration was filed. The revised estimate shown in such amended declaration shall not take effect with respect to any quarter unless filed on or before the 15th day of the third month of such quarter. Declarations of estimated tax liability and all amended or revised declarations shall be filed with the collector of internal revenue for the district in which is located the legal residence or principal place of business of the person making such declaration or if the declarant has no legal residence or principal place of business in the United States, such declarations and amendments and revisions shall be filed with the collector of internal revenue at Baltimore, Md. Any such amended declaration shall be filed with the collector for the district in which the original declaration was filed.

Subsection (e) of section 58 authorizes the Commissioner to grant a reasonable extension of time for filing the declaration of the estimated tax under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no extension shall be granted for a period of more than 6 months. This provision is the same in substance as the comparable provision of the House bill, except that the Senate bill applies the same rules relative to extension to payment of the estimated tax.

Rules applicable to declarations.

Subsection (f) relating to persons under disability, provides that if the taxpayer is unable to make his own declaration a declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer. In such case, the taxpayer and his agent shall be responsible for the declaration as made and incur liability for any penalties provided for erroneous, false, or fraudulent declaration.

Under subsection (g), it is provided that the fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

Subsection (h) makes applicable to declarations of estimated tax the provisions of section 55, relating to publicity of returns.

With the exception of the foregoing section 58 (h) and the differences due to the basic difference in the systems of current payment of tax in the House bill and in the Senate bill, section 58 of the Senate bill is substantially the same as the corresponding section 58 of the House bill.

Payment of estimated tax.

Section 59 of the Senate bill is substantially the same as section 59 of the House bill except for technical amendments necessitated by the requirement for current payment of the entire tax instead of only the basic tax as under the House bill, and a clarifying amendment relating to installment payments of the estimated tax.

Under the provisions of new section 59, if the declaration of the estimated tax is made on or before the fifteenth day of the third month of the taxable year, such tax shall be paid in four equal installments. In such case the first installment shall be paid at the time of filing the declaration, the second installment on the fifteenth day of the sixth month, the third installment on the fifteenth day of the ninth month, and the fourth installment on the fifteenth day of the twelfth month of the taxable year.

If the declaration of estimated tax is filed after the fifteenth day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year. For example, if the declaration is filed on the fifteenth day of the sixth month of the taxable year, the estimated tax shall be paid in three equal installments.

If, pursuant to section 58 (e), the Commissioner grants an extension of time within which to make a declaration of estimated tax, installments of such tax shall be paid at such time and under such conditions as the Commissioner may prescribe.

If a taxpayer files an amended or revised declaration of estimated tax, the remaining installments of estimated tax shall be ratably increased or decreased, as the case may be, to reflect any change made in the previously estimated tax by such amendment or revision. For example, on March 15, 1944, the taxpayer filed a declaration of estimated tax for the calendar year 1944 in the amount of \$600. An installment of \$150 was paid at the time of making such declaration. However, on June 15, 1944, the taxpayer filed an amended declaration, disclosing an estimated tax for the taxable year of \$300 instead of the \$600 originally estimated. As a result of such amended declaration, the installments of estimated tax required to be paid on June 15, September 15, and December 15 will each be \$50.

At the election of the taxpayer, any installment of estimated tax may be paid prior to the date prescribed for its payment.

As stated above, section 58 (e) authorizes the Commissioner, under certain conditions, to grant an extension of time for payment of the estimated tax.

The section further provides that payment of the estimated tax shall be considered payment on account of the income (including Victory) tax imposed by chapter 1 for the taxable year. The taxpayer will, of course, have to file his regular income tax return as usual, and on such return the estimated tax paid will be taken into account. All such payments of estimated tax are for the purpose of the provisions of law relating to refund or credit of the tax imposed by chapter 1, including the provisions relating to interest on overpayments of such tax, deemed to have been paid on the fifteenth day of the third month following the close of the taxable year.

Subsection (b) of section 59 provides that the estimated tax shall be assessed only to the extent paid. Thus, the collector may not disallow for any unpaid installment of estimated tax. Such provision,

however, shall not be construed to prevent the application of section 146 relating to the closing by the Commissioner of the taxable year.

Special rules for the application of sections 58 and 59.

New section 60 under the Senate bill provides special rules for the application of sections 58 and 59 relating to the declaration and payment of the estimated tax. Subsection (a) allows the individual whose estimated gross income from farming for the taxable year is at least 80 percent of his total estimated gross income from all sources for the taxable year the option of filing his declaration on or before the fifteenth day of the last month of the taxable year, in lieu of the time prescribed for other individuals under section 58 (d). This provision recognizes the difficulty of estimating in the early part of the taxable year the amount of income which will be derived from ordinary farm operations. Weather conditions, plant and animal diseases, ravages of insects and other pests, are among the factors which contribute to the uncertainty of such income. The estimated gross income from farming is the estimated income of the farm entrepreneur from the cultivation of the soil and the raising or harvesting of any agricultural or horticultural commodities, and the raising of livestock, bees, or poultry. In other words, the requisite gross income must be derived from the operations of a stock, dairy, poultry, fruit, or truck farm, or plantation, ranch, nursery, range, or orchard.

Subsection (b) of new section 60 authorizes the Commissioner, with the approval of the Secretary, to prescribe suitable regulations for the application with respect to short taxable years of section 58, 59, and 294 (a) (3), (4), and (5), added to the Internal Revenue Code by the bill. Thus, the rules applicable to short taxable years with respect to the declaration and payment of the estimated tax, and additions to the tax for failure to make a timely declaration of estimated tax, timely payment of installments of estimated tax, or for substantial underestimates of tax, are to be established by regulations.

Subsection (c) prescribes the special rule governing the transition to the system of current payment of the income tax on income not subject to withholding at source. The subsection provides the rule applicable with respect to the filing of the first declaration required under the bill. In the case of a taxable year which is the calendar year 1943, the declaration is to be filed on or before September 15, 1943. In the case of a taxable year which is a fiscal year beginning after January 1, 1943, the declaration shall be filed on such date as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Apart from the date for filing the first declaration, all of the other rules prescribed in the bill with respect to declarations generally shall be applicable to such first declaration. The subsection makes it clear that the payments which taxpayers are required to make with respect to their 1942 tax shall be applied to decrease ratably the installments of estimated tax for taxable years beginning in 1943.

Additions to tax.

Section (5) (b) of the Senate bill adds to section 294 (a) of the code three new paragraphs numbered (3), (4), and (5). These paragraphs contain sanctions relating to the filing of declarations and payment of installments of estimated tax and to the proper estimate of tax.

Paragraph (3) provides for an addition to the tax in the case of failure to make and file a declaration of estimated tax within the time specifically prescribed by this bill or within the time prescribed by the Commissioner under the authority granted by the bill. Such addition to the tax shall be in an amount equal to 10 percent of the tax. The term "the tax" for the purpose of this provision means the tax imposed by chapter 1 of the code. The Senate bill eliminates from the comparable provision of the House bill the minimum penalty of \$10.

Paragraph (4) provides for an addition to the tax imposed by chapter 1 of the code in the case of the failure to pay an installment of the estimated tax within the time specifically prescribed in the bill or within the time prescribed by the Commissioner pursuant to authority granted by the bill. Such addition to the tax shall be in the amount of $2\frac{1}{2}$ percent of the tax imposed by chapter 1, but in no event shall such addition be less than \$2.50. In the case of husband and wife who file a joint declaration of estimated tax for the taxable year, and subsequently file separate returns for such year, the addition to the tax in the case of a failure to pay an installment of the estimated tax within the time prescribed shall be $2\frac{1}{2}$ percent of the tax imposed on each spouse under chapter 1, but not less than \$2.50 in the case of each spouse.

Paragraph (5) provides for an addition to the tax in the case of a substantial underestimate of tax. In view of the fact that the taxpayer may revise his estimate of tax quarterly throughout the taxable year, and as late as the 15th day of the last month of the taxable year, the provision for an addition to the tax is a reasonable sanction to insure the payment during the taxable year of a total amount of estimated tax closely approximating the actual liability for the year. In the case of individuals other than farmers exercising the election under section 60 (a), an addition to the tax imposed by chapter 1 is provided in the event that the amount of the estimated tax (increased by the amounts of the credits for taxes withheld at source) is less than 80 percent of the amount of the tax imposed by that chapter (determined without regard to the credits for taxes withheld at source). The parenthetical expressions represent a change from the comparable provision of the House bill, designed to obviate hardship in certain cases. In the event of a failure to file any declaration where one is due, the amount of the estimated tax for the purposes of this provision will be zero. In the case of farmers exercising the election under section 60 (a), the addition to the tax is applicable if the amount of the estimated tax, increased as stated above, is less than $66\frac{2}{3}$ percent of the amount of the tax imposed by chapter 1, determined as stated above. The addition to the tax shall be an amount equal to 6 percent of the difference between the amount of the estimated tax so increased, and the tax imposed by chapter 1 so determined; or the difference in dollars, whichever is the lesser. To illustrate: (1) Taxpayer A files a declaration showing an estimated tax of \$200, based upon the excess of an amount estimated as the amount of tax without regard to withholding credit, \$800, over the amount which he estimates as the withholding credit for tax withheld at source on wages, \$600. His tax for the year, determined without regard to the withholding credits, is \$1,200. The actual amount of tax withheld on his wages is \$700. Eighty percent of his tax for the year determined without regard to

the withholding credits, is \$960. The amount of the estimated tax, which is \$200 (\$800 minus \$600), increased by the amount of the credit for tax withheld at source (\$700) is \$900. Accordingly, taxpayer A is subject to the penalty. Applying the 6-percent rate, the amount of the penalty is \$18 (6 percent of \$1,200 minus \$900). The penalty of the dollar amount of the excess is not applicable because that excess is \$300 (\$1,200 minus \$900). The 6-percent penalty is the lesser, and therefore applicable.

(2) Taxpayer B files a declaration showing an estimated tax of \$200, based upon the excess of an amount estimated as the amount of tax without regard to withholding credit, \$800, over the amount which he estimates as the withholding credit for tax withheld at source on wages, \$600. His tax for the year, determined without regard to the withholding credits, is \$950. The actual amount of tax withheld on his wages is \$550. The amount of the estimated tax, which is \$200 (\$800 minus \$600), increased by the amount of the credit for tax withheld at source (\$550) is \$750. Accordingly, since 80 percent of \$950 is \$760, taxpayer B is subject to the penalty. Applying the 6-percent rate, the amount of the penalty is \$12 (6 percent of \$950 minus \$750). The penalty of the dollar amount of the excess is \$10 (\$760 minus \$750). Since the dollar amount penalty is less than the penalty at the 6-percent rate, the former is applicable.

Penalties.

Subsection (c) of section (5) of the Senate bill amends section 145 (a) of the code. Section 145 (a) prescribes criminal penalties for the willful failure to make and file returns, keep records, supply information, or pay tax. By the amendment contained in section 5 (c) the same penalties are made applicable to the failure to make and file declarations and pay the estimated tax.

Installments.

Section (5) (d) of the Senate bill terminates the privilege of installment payments of tax in the case of all individuals subject to the system of current collection of income taxes provided in the bill. The bill contemplates that since the payments made during the taxable year will be based upon the reasonably anticipated tax liability for that year (which should closely approximate the actual tax liability in view of the privilege granted to the taxpayer to revise his estimate), there is no occasion for retaining the installment privilege. The requirement, pursuant to section 56 (a), for payment on the 15th day of the third month following the close of the taxable year of any excess of the actual liability over the amount of estimated tax paid during the taxable year should not create a hardship in any case where a reasonable and proper estimate is made during the taxable year. Despite the amendment made by subsection (d), any payment of tax or any payment of an installment of tax due and payable before September 1, 1943, shall be made in accordance with the requirements of the present law. In other words, a taxpayer on the calendar year basis, who pays his 1942 tax liability in installments, must pay his March 15, and June 15, 1943, installments of 1942 tax.

Effective date.

Subsection (e) of section 5 of the Senate bill provides that the amendments made by section 5 of the bill shall be effective with respect to taxable years beginning after December 31, 1942. Thus,

the system for current payment of individual income tax not withheld at source applies only to taxable years beginning on or after January 1, 1943.

CONFERENCE AMENDMENT.

The conference amendment extended the system of current payment of tax not withheld at source to those nonresident aliens with respect to whose wages withholding at source is made applicable. Thus, generally speaking, the current tax payment system will apply to certain nonresident alien individuals who are residents of a contiguous country and who enter and leave the United States at frequent intervals. Such aliens, with respect to wages received for services performed in this country, are subject to tax in the same manner and to the same extent as citizens of the United States. Since they will be subject to withholding on such wages, failure to include them within the current tax payment system would cause a considerable doubling up in the payment of their taxes. The necessary change to effect the inclusion of these aliens is contained in the opening sentence of section 58 (a). For the purposes of the contents of the declaration, such aliens shall estimate the amounts of all of the credits allowable with respect to taxes withheld under section 143 and withheld on wages.

Paragraph (3) of section 58 (a) under the conference amendment is a new provision which extends the scope of the declaration requirement in order to cover a situation arising from the operation of section 6 (b). Under this provision a declaration of estimated tax for the taxable year beginning in 1943 is required from an individual who was required to make a return for the taxable year beginning in 1942, and whose gross income from wages for such 1942 taxable year exceeds the gross income which can reasonably be expected to be received from wages for the 1943 taxable year. This provision is designed to require an individual to file a declaration and pay as a part of estimated tax the amount of the excess of his 1942 tax liability over his 1943 tax liability (by reason of section 6 (b) (1)), in the case where such individual would otherwise not be required to file a declaration for the taxable year 1943.

Section 58 (b) (1) has been changed by striking the reference in the Senate bill to "the amount of tax under sections 11 and 12, or 400, as the case may be, and section 450", and inserting in lieu thereof: "the amount of tax under this chapter". This is a clarifying amendment.

Section 5 (d), which amends section 56 (b) of the code, has been changed to remove the installment privilege in the case of the nonresident alien individuals to whom withholding under subchapter D of chapter 9 is made applicable. This provision is required by reason of the inclusion of such individuals in the current tax payment system.

A new subsection (e) has been added to section 5 of the bill. This subsection amends sections 217 (a) and 218 (a) of the code to provide, in effect, that nonresident alien individuals to whom withholding under subchapter D of chapter 9 is made applicable shall file returns and pay tax at the time provided in the case of citizens and residents of the United States. The purpose of this provision is to coordinate the return and payment date of such individuals with the date applicable to others to whom the current tax payment system applies.

Subsection (f) of the conference amendment (corresponding to subsection (e) of the Senate bill) contains a change which precludes the application of section 294 (a) (5) in the case of taxpayers who are not required to make a declaration of estimated tax for a taxable year beginning in 1943.

RELIEF FROM DOUBLE PAYMENTS IN 1943

DESCRIPTION OF HOUSE AND SENATE BILLS.

Section 6 of the Senate bill contains provisions relating to the problem of transition to the system of current collection of tax liabilities. This section differs materially from the corresponding section of the House bill. This difference is occasioned by the fact that under the House bill the system of current collection of tax liabilities is applied only to normal tax, surtax at the first bracket rate and the net Victory tax, the balance of tax liability for any taxable year being collected in the year following the receipt of the income as under existing law. Under the House bill, the transition problem was met by the discharge of the liability for tax for the taxable year beginning in 1942 only to the extent of the normal tax plus a percentage of the surtax net income at the first bracket rate. Thus, the amount discharged corresponded approximately to the amount to be collected currently in cases in which the income for the 2 years is approximately the same.

The Senate bill calls for the collection currently of the entire tax liability. Section 6 of the Senate bill meets the problem of transition by discharging the entire liability for the taxable year commencing in 1942. Under subsection (a) of section 6 this discharge is made applicable as of September 1, 1943, to all persons to whom the system of current collection of tax liabilities applies, with the exception of any case in which the taxpayer is convicted of any criminal offense with respect to the tax for the taxable year 1942 or in which additions to the tax for such taxable year are applicable by reasons of fraud. It is also provided that interest and additions to the tax for the taxable year 1942 shall be collected as a part of the tax for the taxable year 1943.

In order, however, to prevent certain windfalls as a result of the discharge, subsections (b) and (c) of section 6 of the Senate bill provide for an increase of the 1943 tax liability in certain situations. The net effect of these increases, which is more fully explained below, is to reduce the amount of the relief from 1942 tax liability, but for administrative reasons the entire 1942 tax liability is discharged and the reduction is couched in terms of an increase in the 1943 liability which would otherwise be due. There are no comparable provisions in the House bill.

Subsection (b) of section 6 of the Senate bill provides a special rule applicable in cases in which the 1942 tax would have been greater than the 1943 tax. In such a case an amount equal to the excess of the 1942 tax over the 1943 tax (in both instances determined without regard to interest, additions to the tax, and credits for amounts withheld at source) is added to the 1943 tax liability. For example, a taxpayer who is married but has no dependents and who had a net income for the taxable year 1942 of \$10,000 and would, therefore, be liable for a tax in the amount of \$2,152 for the year 1942 but for the

provisions of subsection (a) of section 6, is nevertheless liable for that minimum amount of tax for the year 1943, even though his net income for 1943 were to drop to a figure which would produce a tax liability less than \$2,152. If, for example, his net income for the year 1943 were only \$2,000, producing a tax liability of approximately \$180, he would have added to his liability for 1943 the difference between \$2,152 and \$180, or \$1,972. A special exception to this rule makes such an increase of the 1943 tax liability inapplicable with respect to persons entering upon active service with the armed forces in 1942 or 1943, to the extent that the excess of the 1942 tax over the 1943 tax is attributable to earned net income as defined in section 25 (a) (4) of the Internal Revenue Code. The determination of the portion of the excess of 1942 tax over 1943 tax which is attributable to earned net income is to be determined under regulations prescribed by the Commissioner with the approval of the Secretary.

The increase in the tax liability for 1943 which is effected by subsection (b) of section 6 of the Senate bill is considered to be a part of the 1943 tax which is to be paid currently during the taxable year. Therefore, on the occasion of the taxpayer's filing his declaration of estimated tax for 1943 on September 15, in the case of a taxpayer on a calendar year, the tax liability for the taxable year 1943 as estimated by the taxpayer will include any increase resulting from the operation of subsection (b) of this section. Thus, in the case of a calendar year taxpayer (other than a taxpayer who entered the armed forces in 1942 or 1943) who elected to pay his 1942 tax in installments, the September and December installments of estimated tax can never be less than one-fourth of the 1942 tax less whatever amount is estimated to be withheld at source.

Subsection (c) of section 6 of the Senate bill contains two additional situations in which the 1943 tax liability is increased as a result of, in effect, reducing the amount of the 1942 tax liability discharged. In both of the situations covered under subsection (c), however, the resulting increase in the 1943 tax is considered not to be a part of the 1943 estimated tax which is to be paid currently during the taxable year. Such increase, therefore, is required to be paid at the time prescribed for the payment of the tax for the 1943 year. Subsection (d) of this section, which will be subsequently discussed, provides for a manner in which this increase may be paid over a period of 4 years. In effect, in each of the situations covered under subsection (c) the principle involved is the same, namely the reduction in the amount of relief from tax liability for 1942 or 1943, whichever year is the measure of relief, from a full year's relief to a lower amount in cases where the taxpayer's income has risen substantially when compared with the income of a previous period. This lower amount of tax relief is obtained by computing a tentative tax for the year otherwise serving as the measure for relief, based on the amount of the surtax net income of the base year plus \$10,000. As in subsection (b) the tax for the year 1942 is technically discharged and the excess of tax liability over the relief so computed is added as an increase of 1943 tax. The subsection provides that the increase in tax will be determined under regulations of the Commissioner. It is contemplated that such regulations will prescribe the details relating to the comparisons of the years involved, the computations of the tentative tax on which such increase is based, the method of determining the

composition of the income on which the tentative tax is computed, and other matters involved.

The first situation covered by the Senate bill in subsection (c) of section 6 is one in which the tax for the taxable year 1942 (determined without regard to interest and additions to the tax and credits for amounts withheld at source); is less than that for the taxable year 1943 (similarly determined) and where the surtax net income of the taxpayer for any one of the taxable years 1938, 1939, or 1940, whichever may be selected by him (hereafter referred to as the base year), plus \$10,000 is less than the surtax net income of the taxpayer for the taxable year 1942. In such a case relief from the liability for the taxable year 1942 is limited to an amount equal to a tentative tax computed as if the portion of the surtax net income for the taxable year which is not greater than the sum of the surtax net income for the base year plus \$10,000 constituted both the surtax net income for the taxable year 1942 and the net income for such taxable year after allowance of all credits against net income. The effect of this provision is to limit the discharge of the 1942 liability to an amount of tax computed on an amount of surtax net income and net income equivalent to that of the base year plus \$10,000 computed at the 1942 rate rather than on the income for 1942. The amount of income on which the tentative tax is computed is composed of the same type of income as the income of the 1942 taxable year. Thus if the 1942 income consisted entirely of capital gains the tentative tax would be computed as a tax on capital gains. The excess of the 1942 tax over the tentative tax computed in this manner is discharged and the amount of such excess is added as part of the 1943 tax liability.

An example will illustrate the application of this provision. Taxpayer A had a surtax net income of \$5,000 for his base year. In 1942 he had a tax liability of \$13,002. For 1943 his tax without regard to this section amounted to \$14,000. His surtax net income for 1942 was \$30,000 and was composed entirely of dividends and interest. By taking the amount of his surtax net income for his base year of \$5,000 and adding to it the sum of \$10,000, a tentative tax for 1942 for income thus constituted would be \$4,680. Thus, the amount by which the tax for 1943 is increased is the difference between \$13,002 and \$4,680 or \$8,322.

The second situation covered in subsection (c) is one in which the tax for the taxable year 1942 (determined without regard to interest, additions to the tax and credits for amounts withheld at source), is equal to or greater than the tax for 1943 (similarly determined) and the surtax net income of the taxpayer for the base year plus \$10,000 is less than the surtax net income for the taxable year 1943. Where the tax for 1942 exceeds the tax for 1943, subsection (b) initially operates to increase the 1943 tax by the amount of the excess. In such a case the relief from liability for the taxable year 1942 is further limited by subsection (c) to an amount equal to a tentative tax computed as if the portion of the surtax net income for the 1943 taxable year which is not greater than the sum of the surtax net income for the base year plus \$10,000, constituted both the surtax net income for the taxable year 1943 and the net income for such taxable year after allowance of all credits against net income. An additional factor is present when reference is had to 1943 as the year for measuring the relief owing to the fact that Victory tax is applicable to this year. It is necessary,

therefore, in arriving at the tentative tax to compute a tentative Victory tax based on an amount determined by a ratio based upon relationships with respect to the types of 1943 incomes. Thus, the computation in this situation is similar to the computation made in the first situation covered, but the comparison between the surtax net income of the taxable years and the excess amount of tax over the tentative tax is based on the surtax net income of the 1943 year and the computation takes its particular form from the manner in which the income for 1943 is constituted. In this subsection it is also provided that in the event that there is included in the taxable year used as the measure of relief, income which, under section 107 of the Internal Revenue Code, is attributed to the base year selected by the taxpayer, such income shall be excluded in computing the surtax net income of the relief year and shall be included in computing the surtax net income for the base year.

Subsection (d) of section 6 of the Senate bill provides that at the election of the taxpayer made under regulations prescribed by the Commissioner with the approval of the Secretary, the time for the payment of the portion of the tax for 1943 equal to the increase occasioned by the application of subsection (c) shall be extended. If so extended such portion of the tax shall be paid in four equal installments, the first of which shall be paid on the fifteenth day of the fifteenth month following the close of the taxable year and one of the remaining three installments shall be paid on the last day of each succeeding 12-month period. It is provided that the Commissioner may condition this extension upon the furnishing of a bond not exceeding the amount of such increase with such surety or sureties as he may deem necessary. If the time is extended for payment of this portion of the tax, it is provided further in this subsection that there shall be collected as a part of the tax, interest in the amount of 4 percent per annum on each such installment from the date prescribed for the payment of the tax for the taxable year until the date on which such installment is paid or payable whichever is the earlier. If any installment is not paid on or before the date on which it is payable, it and the remaining installments shall be paid upon notice and demand from the collector and interest at the rate of 6 percent per annum is to be collected from the payable date until the date of payment.

Subsection (e) of the Senate bill provides special rules for the application of subsections (b) and (c) and requires that in computing the tax for the taxable year 1943, the credit for foreign tax shall be determined without regard to any increase in the 1943 tax by reason of subsections (b) and (c). It further provides that in applying sections 105, 106, and 107 of the Internal Revenue Code (relating to limitations on tax) any increase in the tax occasioned by subsections (b) and (c) shall likewise be disregarded. This subsection also contains a provision for the computation of the increase in tax under either subsection (b) or (c) where a joint return is made by a taxpayer to whom either one of the subsections apply. The rule is stated that the taxes of the spouses of the taxable year for which a joint return is not made shall be aggregated for the purposes of subsections (b) and (c), and, in addition, provides that if the taxable year for which a joint return is not made is the taxable year 1943, the liability for the increase in the tax under subsections (b) and (c) shall be joint and several.

In the Senate bill subsection (f) of section 6 provides that subsection (a) shall not apply to an individual who died during the taxable year 1942. Thus, no amount of the tax liability of such a person is discharged.

Subsection (g) of section 6 of the Senate bill provides for the treatment of payments made on account of the 1942 tax. Any payment (other than interest and additions to the tax) made on account of the tax imposed by chapter I of the Internal Revenue Code for the taxable year 1942 upon a taxpayer whose liability is discharged under subsection (a) is considered as payment on account of the estimated tax for 1943. Where any payment of such tax is made pursuant to an extension of time granted by the Commissioner prior to September 1, 1943, such payment is likewise treated as a payment of estimated tax for 1943 and is required to be paid despite the fact that the provisions discharging the tax liability are effective as of September 1, 1943. If the taxpayer should become delinquent prior to September 1 in the payment of his tax or any installment, the fact that the liability for 1942 tax is discharged as of that date is specifically provided as not relieving the taxpayer of his liability for the tax. Such payment, however, is to be treated as a timely payment would be, namely, as a payment on account of estimated tax liability for 1943. The effect of this subsection is to require taxpayers who have elected to pay in installments to continue undiminished their payments on account of 1942 tax liability for all installments which would be due before September 1, 1943. In the event of an extension of time or of delinquency occurring before September, the legal consequences resulting are no different from what they would be under existing law and only after the payments for which time has been extended or which have become delinquent have been paid, do such payments take the character of payments on account of estimated tax for 1943. This subsection further contains the rule that if any payment on account of the tax for 1942 is made pursuant to a joint return, the payment may be treated as a payment on account of the estimated tax of either the husband or the wife or may be divided between them.

Subsection (h) of section 6 of the Senate bill contains the definition of the term "taxable year" when used in reference to the years 1938, 1939, 1940, 1942, or 1943 in the section. It provides that the term means the taxable year beginning in such enumerated year. When used in conjunction with 1942 or 1943 it does not mean any taxable year of less than 12 months, unless such short year is occasioned by the death of the taxpayer or unless there is no taxable year of 12 months beginning in the calendar year. Thus there will be no relief from tax liability with respect to the short taxable year 1942 where a taxpayer effects a change from a calendar- to a fiscal-year basis but the 12-month fiscal year beginning in 1942 will be the year for which tax is discharged.

CONFERENCE AMENDMENT.

The conference amendment retains with the following changes the provisions of the Senate bill with respect to relief from double payments in 1943:

In place of the 100 percent discharge of tax liability for most taxpayers, the committee of conference adopted the policy of 75 percent discharge of such liabilities where the total liability is in excess of \$50.

As in the Senate bill, even though the effect be to discharge only 75 percent of the tax liability of the lower of 1942 or 1943, for administrative reasons the entire 1942 tax liability is discharged and the 1943 tax liability is increased by the 25 percent of tax with respect to which no relief is granted. Thus, in the case of taxpayers whose tax for 1942 is not greater than that for 1943, section 6 (a) of the bill, as agreed to in conference, provides that the 1942 tax shall be completely discharged but that the 1943 tax shall be increased by an amount equal to 25 percent of such tax for 1942. Where, however, the tax liability of the individual for 1942 is \$50 or less, the entire amount of the tax is discharged and the 1943 liability is not increased. In order to prevent inequity to persons whose tax liability only slightly exceeds \$50, it is further provided that the tax for 1943 shall be increased by 25 percent of the amount of the tax or the excess of the tax liability over \$50, whichever is the lesser.

The conference amendment brings into the system of current collection of income tax, by imposing the requirement for filing declarations, etc., those nonresident aliens who are residents of contiguous countries and who enter and leave this country at frequent intervals by reason of being employed in this country. Such individuals are subject to withholding provisions applicable to citizens on their wages earned in this country (except where the withholding is specifically made inapplicable by regulations), and such individuals file returns under existing law in the same manner as citizens. In order, therefore, that these individuals should not be required to double up in their payments of tax to this country, they are included in the provisions of section 6 of the bill, discharging tax liability for the taxable year 1942. Since the fixed income from investments of such persons is withheld on at the source currently under existing law, the discharge of tax liability applicable to such persons as in the case of all other persons is measured in the terms of tax imposed under chapter 1, which means, as it does throughout the law (unless specifically stated otherwise), the net tax liability after credits against the tax.

As in the Senate bill, subsection (b) of section 6 provides that the amount of tax liability in effect discharged shall be measured by the 1943 tax liability in cases in which that liability is less than the 1942 tax liability. As in the Senate bill, in this case the 1942 tax liability is technically discharged and any excess of the 1942 over the 1943 tax liability is added to the 1943 tax liability. In such a case the additional 25 percent of tax, or excess of tax liability over \$50, whichever is the lesser, which is added to the 1943 tax, is computed on the lesser amount of tax liability, namely that for 1943. For example, under the conference amendment a person whose tax for 1942 was \$1,000, and for 1943 was \$800, would be liable for a 1943 tax in the amount of \$1,200 (\$800 plus \$200 plus 25 percent of \$800), and his 1942 tax would be discharged.

The comparison to determine whether the 1942 or the 1943 tax liability is the greater is made on the basis of tax liability before the application of credits against the tax for amounts withheld at source. Where the 1942 tax liability is not greater than that for 1943, the 25-percent increase is determined on the basis of the tax imposed (i. e., net tax liability after credits) for 1942. For the purposes of determining the amount of the increase in the 1943 tax liability where the 1942 tax liability is greater, the tax imposed (i. e., net tax liability after

credits) for 1942 is used with respect to the year 1942 and the tax imposed plus the credits for tax withheld at source under sections 466 (e) and 35 of the code is used with respect to the year 1943. The difference in the two taxes so determined is the increase to be added. For the purpose of determining the amount of the 25-percent increase in the 1943 tax in such a case, the tax imposed for 1943 plus the credits for tax withheld at source under sections 466 (e) and 35 are used.

The conference amendment recognizes that, in the case of a non-resident alien or a person holding substantial amounts of tax-free covenant bonds, there might be a situation where an individual's tax before credits for tax withheld at source for 1942 would exceed his tax for 1943 similarly determined, but the tax imposed for 1942 would be less than his tax imposed for 1943 plus credits for withheld tax on wages under sections 35 and 466 (e), so that there would be no excess of 1942 tax liability over 1943 tax liability. In such a case the conference amendment limits the 25-percent increase in the 1943 tax to 25 percent of the net tax for 1942, or the excess of such tax over \$50, whichever is the lesser. This limitation is necessary to achieve the result that the measure of discharge of tax liability shall be the tax liability of the year in which the lesser tax is imposed.

The conference amendment makes some changes in the treatment of cases of increased incomes found in subsection (c) of section 6 of both the Senate bill and the bill as agreed to in conference. The taxable year 1937 is added to the years from which the taxpayer may select his base year. In addition, it is provided that \$20,000, instead of \$10,000, is to be added to the surtax net income of the base year in computing the tentative tax which is the limit of discharge of tax liability. If the tentative tax so computed is less than 75 percent of the tax liability for the year which is the measure of relief, the excess of such 75 percent of tax liability over the amount of tentative tax is made an additional increase in the 1943 tax.

By reason of a technical rearrangement, special rules for the application of the provisions relating to discharge of tax liability are to be found in subsection (d) of section 6 of the bill as agreed to in conference rather than in subsection (e) of that section as in the Senate bill. These rules, in addition to the points discussed hereafter, relate to (1) the application to the taxable year 1943 of the foreign tax credit (par. (3)); (2) the application to the taxable year 1943 of the limitations on tax rate effected by sections 105, 106, and 107 of the code (par. (3)); and (3) the rule to be followed in the case where joint and separate returns are made by a husband and wife for the taxable years 1942 and 1943 respectively, or vice versa (par. (2)).

In addition, as a further technical rearrangement, there is included in paragraph (1) of subsection (d) the rule found in subsection (b) of section 6 of the Senate bill excepting from the increase in the 1943 tax the excess of the 1942 tax over the 1943 tax to the extent attributable to earned net income in the case of persons who were members of the armed forces during 1942 or 1943. In the Senate bill this exception was applicable to a member of the military or naval forces of the United States. The conference amendment makes this exception applicable also to a member of the armed forces of any of the United Nations. Instead of the use of the phrase "attributable to earned

net income" in the Senate bill, the conference amendment excepts from the increase—

an amount equal to the amount by which the tax for taxable year is increased by reason of the inclusion in the net income for the taxable year 1942 of the amount of the earned net income.

This change is designed to make certain that the earned net income in this respect is to be taken out of the upper tax brackets.

The conference amendment likewise incorporates, as paragraph (7) of subsection (d) of section 6, subsection (f) of section (6) of the Senate bill providing no discharge of tax liability in case of persons who died in 1942. There is also incorporated, as paragraph (4), the provision in subsection (e) of section (6) of the Senate bill relating to the treatment of section 107 income in cases to which subsection (c) is applicable.

The conference amendment adds to subsection (d) of section (6), as paragraph (5), an additional rule for the application of subsection (c). This rule provides that, if during the base year of an individual, such individual was a shareholder in a corporation and if substantially all of the assets of the corporation were acquired by such individual or a partnership of which he is a member pursuant to complete liquidation of the corporation at any time prior to May 1, 1943, and if at all times after the liquidation up to and including whichever of the two taxable years, 1942 or 1943, is the measure of discharge of the taxpayer's liability, the trade or business of the corporation was carried on by the individual or partnership, the individual may compute his surtax net income of the base year as if the earnings and profits of the corporation for taxable year ending with or within the base year had all been distributed as dividends at the end of such taxable year. The individual's distributive share of these hypothetical dividends is limited to his proportionate share in the partnership during the taxable year used as the measure of his discharge of tax liability if such interest is proportionately less than his interest in the corporation.

Subsection (d) of section 6, in paragraph (6), provides that the 25 percent increase in 1943 tax required under subsections (a) or (b) (2), or the additional increase under subsection (c), shall not be considered to be a part of the tax for the taxable year 1943 for the purposes of the estimated tax provisions. Thus these increases would for the first time be reflected in the annual returns filed in 1944. A similar provision was incorporated in subsection (c) of section 6 of the Senate bill with respect to the subsection (c) increase.

The conference amendment incorporates in paragraph (2) of subsection (e) of section 6 the rule with respect to granting extension of time for the payment of any increase in 1943 tax resulting from the application of subsection (c). The substance of this provision is the same as that found in the Senate bill in subsection (d) of this section. Paragraph (1) of subsection (e) under the conference amendment contains provisions for the extension of time for payment of the 25-percent increase resulting from the application of subsections (a) and (b) (2). This paragraph provides that, at the election of the taxpayer, the Commissioner shall extend the time for payment of the portion of the tax for the taxable year 1943 equal to one-half of the amount of the 25-percent increase under subsection (a) or (b) (2). The time for payment of this one-half is extended to the 15th day of the fifteenth month

following the close of the taxable year. As in the case of the increase under subsection (c), the Commissioner may condition the extension upon the furnishing by the taxpayer of a bond not exceeding the amount with respect to which the extension applies, with such surety or sureties as he may deem necessary, conditioned upon the payment of the amount in accordance with the terms of the extension. If the amount is not paid on or before the date on which it is payable as a result of the extension, it is to be paid on notice and demand from the collector; and if not paid on the payable date, interest at the rate of 6 percent per annum is to be collected as a part of the tax on the amount for which the extension was granted for the period beginning with the date on which this amount is payable and ending on the date on which it is paid.

By reason of the technical rearrangement, the conference amendment includes, with minor technical changes, in subsection (f) of section 6 the substance of the provisions found in subsection (g) of section 6 of the Senate bill. This subsection relates to the treatment of payments on account of the 1942 tax.

Under the conference amendment subsection (g) incorporates the provisions of subsection (h) of section 6 of the Senate bill.

The conference amendment adds a new subsection (h) providing that the entire section 6 shall be applied in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

ADDITIONAL ALLOWANCE FOR MILITARY AND NAVAL PERSONNEL

DESCRIPTION OF THE HOUSE AND SENATE BILLS.

Section 22 (b) (13) of the code makes provision for an exclusion from gross income in the case of personnel below the grade of commissioned officer in the military and naval forces of the United States. The amount to be excluded under this provision is not to exceed \$250 in the case of a single person and \$300 in the case of a married person or head of a family and applies only to salary or compensation received for active service in the armed forces during the present war.

The House bill would amend section 22 (b) (13) of the code to effect an exclusion from gross income in the case of military and naval personnel, without distinction as to rank, with respect to the compensation received during any taxable year and before the termination of the present war as proclaimed by the President for active service during such war. The amount to be so excluded would not exceed the excess of \$3,500 over the personal exemption claimed under section 25 (b) of the code.

The Senate bill amends section 22 (b) (13) to provide for a flat exclusion of \$1,500 from gross income in the case of all military and naval personnel, without distinction as to rank, with respect to such compensation. The amount of such exclusion is not to be reduced by the personal exemption claimed under section 25 (b) of the code.

The amendment would apply only with respect to taxable years beginning after December 31, 1942, and not, as under the House bill, with respect to all compensation received after December 31, 1941, by a member of the military or naval forces of the United States for active service in such forces.

CONFERENCE AMENDMENT.

The conference amendment adopts the provisions of the Senate bill, but extends the application of those provisions to a member of the military or naval forces of any of the other United Nations. The provision will therefore cover such individuals as well as members of the military or naval forces of the United States.

ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES UPON DEATH

DESCRIPTION OF THE HOUSE AND SENATE BILLS.

Under the House bill supplement U is added to chapter 1 of the code to relieve a member of the military or naval forces of the United States who dies on or after December 7, 1941, in active service from the liability for the tax imposed by chapter 1 for the taxable year in which falls the date of his death. In addition thereto, the supplement provides that any tax imposed under chapter 1 or under the corresponding title of any prior revenue act (including interest and additions to the tax) which is unpaid as of the date of death shall not be assessed. If any such tax, interest, or additions to the tax have been assessed and are unpaid at the date of death, such assessment or assessments shall be abated. If the amount of any such liability which was unpaid as of the date of death is collected subsequent to such date, the amount so collected shall be credited or refunded as an overpayment.

The Senate bill revised the House version of this new supplement to limit the relief granted therein to that portion of the income taxes which is attributable to earned net income as defined in section 25 (a) (4) of the code. In addition, the taxes in respect to which such relief is granted are limited, in general, to those which would have become due and payable after the date when such individual entered upon active service in such forces or the effective date of the Selective Service Act (September 16, 1940) whichever date is the later, assuming that such member paid, or would have paid, his taxes in quarterly installments to the extent provided for in the code. If the liability for the portion of such taxes which is attributable to earned net income is outstanding at the date of death, the liability shall be abated. If such portion of the taxes has been paid at any time, the amount paid shall be credited or refunded as an overpayment.

To effectuate this policy, the Senate bill classifies such deceased members of the armed forces into three groups according to the year in which they entered upon active duty in such forces, and states with respect to each group those taxes (or the portions thereof) of which the members of the group are to be relieved. This classification was made necessary by reason of the transition in the year 1943 to a current tax basis.

The first category applies to those who entered upon such service before the commencement of the taxable year beginning in 1943. The taxes to be abated, credited, or refunded to members in this group are: (1) the tax attributable to earned net income for the taxable year in which falls the date on which he entered upon such service or September 16, 1940, whichever date is the later; (2) the tax attributable to earned net income for all subsequent taxable years while he was in such service; and (3) for the taxable year last preceding the date on which he entered upon such service or September 16,

1940, whichever date is the later, that portion of the tax for such preceding year attributable to earned net income which bears the same ratio to the entire tax so attributable as the number of quarters in the taxable year referred to in (1) subsequent to the date on which he entered upon such service or September 16, 1940, whichever date is the later, bears to four. Thus, for example, if the individual (on a calendar-year basis) enters the service on July 1, 1942, he would be exempt from the tax attributable to his earned net income for the year 1942, for all subsequent years in the service, and for one-half of the tax so attributable for the calendar year 1941. If he entered the service on July 1, 1940, he would be exempt from such tax for 1940 and subsequent years in service and for one-fourth of such tax for 1939.

The second category consists of those members of the armed forces who entered upon such service in the taxable year beginning in 1943. The taxes to be abated, credited, or refunded in respect of this class are: (1) that portion of the tax for the taxable year beginning in 1943 (not including the increase in such tax prescribed by the windfall provision contained in section 6 (c) of the Senate bill), which bears the same ratio to the total tax (not including such increase) as the number of quarters in such taxable year subsequent to the date on which he entered upon such service bears to four, to the extent such portion is attributable to earned net income; and (2) the tax attributable to earned net income for all subsequent taxable years during which he was in such service.

The third category is made up of those members who entered upon such service after the end of the taxable year beginning in 1943. The taxes to be abated, credited, or refunded in respect of this group are all the taxes which are attributable to earned net income for the taxable years during which they were in such service but not including the taxable year during which they entered upon such service.

In computing the tax to be abated, credited, or refunded under (3) of the first category and (1) of the second category, a fractional part of a quarter subsequent to the date on which he entered upon such service or September 16, 1940, whichever date is the later, shall be disregarded unless it exceeds 15 days, in which case it shall be considered a quarter.

CONFERENCE AMENDMENT.

The conference amendment adopts the provisions of the House bill, but extends the application of those provisions to a member of the military or naval forces of any of the other United Nations. The provisions will therefore cover such individuals as well as members of the military or naval forces of the United States.

ASSISTANT COMMISSIONERS

Section 9 of the Senate bill amends the Internal Revenue Code to authorize the appointment of two assistant commissioners, who shall be appointed by the President, by and with the advice and consent of the Senate. The amendment provides that the assistant commissioners shall perform such duties as may be prescribed by the Commissioner or required by law. There was no comparable provision in the House bill. The conference amendment retains this provision.

POWERS OF APPOINTMENT

Section 10 of the Senate bill extends the time in connection with the release of powers of appointment for estate and gift tax purposes from July 1, 1943, to March 1, 1944. There was no comparable provision in the House bill. The conference amendment retains this provision.

R. L. DOUGHTON,
HAROLD KNUTSON,
DANIEL A. REED,
THOMAS A. JENKINS,

Managers on the part of the House.







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House of Representatives

The House met at 12 o'clock noon, and was called to order by the Speaker.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty God, we rejoice that divine love which blooms fadelessly in Gethsemane, shines in the crown of thorns. In the presence of Calvary, we pray that selfishness and strife may die and that we shall neither guess nor fear, nor be found unworthy to stand and serve our country. Storms bursting on the battle lines, whatever they may engulf, they cannot swallow the might of the human spirit—praises be unto Thy holy name.

Blessed Lord and Master, Thou hast vehemently affirmed the glory of self-sacrifice and rebuked selfishness, teaching us hopefully to identify ourselves with a sinning, suffering world; no heart is pure that is not passionate and no virtue is safe in indifference. In the name of Him by whose stripes we are healed, we beseech Thee that this indulgent generation may know of the grace of our Lord, who, though He was rich for our sakes He became poor and gave us the sublime manifestation of humble service. As a great Nation, we have not been made for the ends of wealth, luxury, and pleasure, but to help Lazarus at the gates of all peoples. O summon us to trial and endurance for the sake of those who are in the mad delirium of famine, persecution, inquisition, murder, and death. Lord God of hosts, lead us on in the power of magnitude, energy, and in the splendour of a mighty Union, and thus we shall fulfill our high destiny. In the name of our Saviour. Amen.

THE JOURNAL

The Journal of the proceedings of Friday, May 28, 1943, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment a concurrent resolution of the House of the following title:

H. Con. Res. 21. Concurrent resolution authorizing that the address delivered before

the joint meeting of the Members of the two Houses of Congress by the Prime Minister of Great Britain, the Right Honorable Winston Churchill, be printed as a House document.

The message also announced that the Senate had passed, with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 1670. An act to amend section 2 of the Civilian Pilot Training Act of 1939, as amended.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 2714. An act making appropriations to supply urgent deficiencies in certain appropriations for the fiscal year ending June 30, 1943, and for prior fiscal years, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. MCKELLAR, Mr. GLASS, Mr. HAYDEN, Mr. TYDINGS, Mr. RUSSELL, Mr. NYE, and Mr. LODGE to be the conferees on the part of the Senate.

The message also announced that the Senate insists upon its amendment to the bill (H. R. 1784) entitled "An act for the relief of the legal guardian of Leonard L. Gay"; disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. ELLENDER, Mr. TUNNELL, and Mr. CAPPER to be the conferees on the part of the Senate.

The message also announced that the Senate insists upon its amendment to the bill (H. R. 1463) entitled "An act for the relief of Florence B. Hutchinson"; disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. ELLENDER, Mr. TUNNELL, and Mr. CAPPER to be the conferees on the part of the Senate.

The message also announced that the Senate insists upon its amendment to the bill (H. R. 235) entitled "An act for the

relief of Forrest W. Dickey"; disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. ELLENDER, Mr. TUNNELL, and Mr. CAPPER to be the conferees on the part of the Senate.

CALL OF BILLS ON PRIVATE CALENDAR DISPENSED WITH

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the call of the Private Calendar for today be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. McCORMACK]?

There was no objection.

CALENDAR WEDNESDAY BUSINESS DISPENSED WITH

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that Calendar Wednesday business of this week be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. McCORMACK]?

There was no objection.

URGENT DEFICIENCY BILL

Mr. CANNON of Missouri. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 2714) making appropriations to supply urgent deficiencies in certain appropriations for the fiscal year ending June 30, 1943, and for prior fiscal years, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference requested by the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Missouri [Mr. CANNON]?

There was no objection.

The Speaker appointed the following conferees on the part of the House: MESSRS. CANNON of Missouri, WOODRUM of Virginia, LUDLOW, SNYDER, O'NEAL, RA-BAUT, JOHNSON of Oklahoma, TABER, WIGGLESWORTH, LAMBERTSON, and DITTER.

CURRENT TAX PAYMENT ACT OF 1943

Mr. DOUGHTON. Mr. Speaker, I call up the conference report on the bill

(H. R. 2570) to provide for the current payment of the individual income tax, and for other purposes, and I ask unanimous consent that the statement of the managers on the part of the House may be read in lieu of the full report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

There was no objection.

The Clerk read the statement of the managers on the part of the House.

(For conference report and statement, see proceedings of May 28, 1943.)

Mr. DOUGHTON. Mr. Speaker, I yield 30 minutes to the gentleman from Minnesota [Mr. KNUTSON] and I yield myself 10 minutes at this time.

CALL OF THE HOUSE

Mr. WOLCOTT. Mr. Speaker, I make the point of order a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. COOPER. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 86]

Allen, I. I.	Gifford	Morrow
Baldwin, Md.	Granger	Miller, Conn.
Baldwin, N. Y.	Grant, Ala.	Myers
Barry	Guyer	Nichols
Bell	Hagen	O'Brien, N. Y.
Bonner	Hancock	O'Leary
Bradley, Pa.	Harris, Va.	O'Toole
Buckley	Hart	Ramey
Burchill, N. Y.	Hartley	Randolph
Byrne	Heffernan	Reed, Ill.
Cannon, Fla.	Hendricks	Rockwell
Capozzoli	Herter	Russell
Carter	Hoffman	Sadowski
Chapman	Hope	Scott
Cochran	Judd	Sheridan
Compton	Kennedy	Sikes
Costello	Keogh	Somers, N. Y.
Courtney	Kerr	Sumners, Tex.
Crawford	Kilburn	Tolan
Culkin	King	Treadway
Delaney	Klein	Van Zandt
Dies	Lambertson	Welch, Ohio
Dillweg	Landis	Welch
Dirksen	LeCompte	White
Domengaues	Lemke	Wilson
Ellsworth	Lynch	Winter
Fay	McCowen	Wor drum, Va.
Flannagan	McGregor	Worley
Gale	Magnuson	Zimmerman
Gavagan	Mansfield, Tex.	
Gibson	Marcantonio	

The SPEAKER. On this roll call 340 Members have answered to their names, a quorum.

Without objection, further proceedings, under the roll call, will be dispensed with.

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. JONKMAN. Mr. Speaker, I ask unanimous consent that today, at the conclusion of the legislative business and following any special orders heretofore entered, I may address the House for 30 minutes.

The SPEAKER. Is there objection?

There was no objection.

CURRENT TAX PAYMENT ACT OF 1943

Mr. DOUGHTON. Mr. Speaker, after 4 months of arduous and strenuous work by the Committee on Ways and Means, we are today, as far as our committee

and the House of Representatives are concerned, to write the last chapter in a bill providing for the current collection of individual income taxes. This has been one of the most difficult, as well as one of the most controversial and troublesome, bills with which our committee has ever had to deal. The House can realize, I am sure, some of the difficulties which faced the conference committee. You all remember the fierce battle in the House on the first and second bills which we reported, neither of which was adopted, and also the fight over instructing the conferees to agree to the Senate amendment.

For 8 days the conferees labored, either in joint conference or in individual meetings, in an effort to reach a compromise or an agreement which we hoped would be acceptable to both the House and the Senate. It will be recalled that the bill which the House sent to the Senate had the effect of canceling 100 percent of the 1942 tax liability of 90 percent of all taxpayers, or approximately the tax liability of 35,000,000 taxpayers out of a total of 39,000,000. Since 100 percent of the tax liability of these taxpayers would have been canceled, there was no doubling up of their 1942 and 1943 liability in the bill passed by the House and sent to the Senate. In order to prevent doubling up of the remaining 4,000,000 taxpayers, the House bill did not place them on a current basis with respect to that part of their liability above the first-bracket rate. This bill canceled, in the aggregate, approximately 77 percent of the total 1942 liability, or a total of \$7,600,000,000.

The Senate struck out all of the House bill after the enacting clause and passed a bill with the following features:

First. It provided for a withholding system as did the House bill.

Second. It provided for a special treatment for the armed forces, as did the House bill, but changed the House provisions.

Third. The Senate bill, with the exception of the windfall provision, canceled 100 percent of the 1942 tax liability. With the windfall provisions, the Senate bill canceled about 87 percent of the 1942 tax liability.

Thus, the bills of the House and of the Senate were in direct conflict on the all-important matters of the amount of cancellation and the method of cancellation necessary to make a transition to a current system of payments.

One of the most difficult problems with which our conferees were faced was the insistence of the Senate conferees that the total abatement or forgiveness be at least equal to the aggregate cancellation provided in the House bill. The Senate conferees were adamant also at the outset in their position as to an equal percentage of cancellation of the tax "straight across the board" for all taxpayers.

The conferees discussed various plans for compromise for a period of at least 5 days, and remained in seemingly hopeless deadlock. The House conferees would not accept the Senate bill; neither would the Senate conferees accept the

House bill; and as a result we discussed and voted on various other proposals, one bill, the last bill reported by the committee to the House, another a flat 50 percent abatement of the 1942 tax or the lower of the 1942 or 1943 tax, another a 60 percent "straight down the line" abatement, but none of these proposals made by the House conferees, while having a majority vote of the House conferees, could secure a majority vote of both the House and Senate conferees. Finally, a proposal was made which 10 of the conferees were seemingly willing to accept. This provided for a 100-percent abatement of the lower of the 1942 or 1943 tax liability, where the tax was \$50 or less, with a notch provision to take care of persons whose tax liability slightly exceeded \$50. The notch provision allowed a flat \$50 abatement to those taxpayers whose tax was between \$50 and \$66.67. Other taxpayers would have 75 percent of their tax for the lower of the 2 years, 1942 or 1943, abated. Special relief provisions were added to take care of the taxpayers in the armed forces together with antiwindfall provisions to prevent abatement of that part of the tax on war profits.

During the long consideration and discussion of this controversial subject, may I call the attention of the House to the fact, in showing how difficult the problem has been, that at no time was there ever a unanimous vote on any proposal relating to this subject either in the executive sessions of our committee, on the floor of the House on three separate occasions, or in the conference committee. The first and only time when there was a majority of both House and Senate conferees was on the final vote which stood 11 to 3. On this vote, the Senate conferees were unanimous and the House group stood 4 to 3. May I add further that this was the only vote ever taken in the conference, in which the majority members of the House conferees did not vote together. Having been unable to get the Senate conferees to agree on a graduated abatement of the 1942 liability, except to the extent of a \$50 tax, the majority of the House conferees yielded on this point, in order to get a bill, and voted on two different motions for a "straight across the board" abatement. One motion was for a flat abatement of 50 percent, and the other for a 60-percent abatement. Accordingly, the only difference in the last analysis was the extent to which the House conferees would go in total abatement, the principle of straight across the board having been yielded in two votes. But the Senate conferees would not go below a 75-percent abatement, pointing out that the House bill provided for an abatement of 77 percent of the 1942 liability. Our House conferees having already yielded on the differential in the motions for a straight 50 and then a 60-percent abatement, I did not feel justified in being responsible for the failure to reach an agreement because of a mere difference of 15 percent, especially as such a failure would end any hope of getting a current collection system in operation this year. The following examples will show the tax

effect of the differences between a 60 percent and a 75-percent abatement:

Married persons, no dependents

Net income before personal exemption	1942 tax	60 percent forgiven	75 percent forgiven	Difference
\$10,000.....	\$2,152	\$1,291.20	\$1,614	\$322.80
\$100,000.....	64,000	38,436.00	48,045	9,609.00
\$1,000,000.....	854,000	512,400.00	640,500	128,100.00
\$5,000,000.....	4,374,000	2,624,400.00	3,280,500	656,100.00

Moreover, in terms of total revenue, a 60-percent abatement would abate only 15 percent, or one and one-half billions less than a 75-percent abatement. One very important point to be considered was whether it would not be better to collect less with less postponement or the possibility of more with longer postponement. Under a 60-percent forgiveness, the amount not canceled would have to be spread over a period of at least 4 years in order to prevent undue hardship in the upper brackets. With a 75-percent abatement, the entire amount of the forgiven 1942 liability could be collected in 2 years, and taxpayers will have this back liability out of the way by March 15, 1945. Under a 60-percent abatement, this back liability will not be liquidated until March 15, 1947. It is better to secure this revenue now when incomes are rising than to postpone its collection to some future date when incomes are falling. Furthermore, under a 75-percent abatement, we will collect 25 percent of the 1942 liability by March 15, 1945, whereas under a 60-percent abatement we would collect only 20 percent of the 1942 liability by March 15, 1945.

I will now briefly discuss other important features of the conference agreement:

There are two antiwindfall provisions in the bill. One of these provisions limits the tax to be abated to the lower year, 1942 or 1943. It was recognized that this provision would work an undue hardship on persons who were in the service in 1942 or 1943. Since their tax in 1943 will in most cases be lower than their 1942 tax, to prevent such a hardship a special rule is provided with respect to the 1942 tax of persons in the service in 1942 or 1943. Instead of collecting the full 1942 tax, that part of the 1942 tax liability relating to earned income, which a civilian would have to add to his 1943 tax, is forgiven in the case of the serviceman. This will afford relief to persons in the armed forces whose earned net income in 1942 was considerably higher than their service pay for 1943. The following example will make this clear:

Assume a soldier who is married with no dependents had a net income of \$3,200 in 1942. His tax for 1942 amounted to \$360.80. He entered the Army in 1943 and had no tax to pay. His 1942 liability will be canceled. Not only does the conference agreement afford relief to servicemen as to their 1942 liability, but also as to their liability for 1943 and subsequent years. Under the conference agreement, a

member of the military or naval forces of the United States, during the present war, is allowed, in arriving at his income subject to tax for 1943 and subsequent years, to exclude \$1,500 of his military pay. This allowance is in addition to his personal exemption and credit-for-dependents allowance. The conference agreement also allows this \$1,500 exclusion to American citizens or residents of the United States serving with our allies. The Senate had a rather involved provision relating to the income tax of a man dying in the service. We were able to get the Senate conferees to accept the House provision in preference to their own, with the qualification that this relief should also be extended to persons serving in the armies of the other Allied Nations. I will not take the time of the House to discuss further changes, as they are fully set forth in the conference report.

I will now discuss the second windfall provision.

It was thought necessary to guard against windfalls during the war period, to limit the amount of the abatement to the equivalent of a tax on a normal year plus \$20,000. For his normal year the taxpayer may choose any one of the years 1937, 1938, 1939, or 1940.

The conference agreement will put into operation a withholding system as of July 1 of this year. It will also meet the public demand for a current pay-as-you-go system, and will bring into the Treasury more revenue than either the House bill or the Senate bill. For the fiscal year 1944 the conference committee report will add approximately three billions more than the existing law or the House bill, and almost two billions more than the Senate bill. It puts all the taxpayers upon a current basis. A differential is provided in the case of the smaller taxpayers by allowing an abatement of 100 percent of the tax liability of the lesser year, 1942 or 1943, which does not exceed \$50. While the compromise was not a perfect solution of the problem, it did, in my opinion, meet many of the defects contained in the Senate bill. I therefore did not feel justified in standing in the way of getting a bill, which the country was demanding, and which was so important from the standpoint of the immediate revenue needs of the Treasury. Accordingly, I felt it to be my duty to cast my vote with the 10 other members of the conference who were willing to support the compromise proposal.

Considering both the House and Senate bills which were before the conference, I do not believe anyone can say that the House conferees got the worst of the bargain, or that anything better was possible under the circumstances, if a current tax system was to be enacted at this session or during this Congress. It was either this compromise or no bill, as I am sure everyone familiar with the subject must realize.

In closing, I wish to present the following table, which shows how much revenue is collected under the conference agreement as compared with the House and Senate bills:

Treasury estimates
[In millions of dollars]
(1942 liability existing law, 9,815)

	House bill	Senate bill	Conference report
Amount of 1942 liability canceled.....	7,602	8,515	6,533
Percent of cancellation.....	77.5	86.8	66.6
Amount of 1942 liability uncanceled.....	2,213	1,300	3,282
Percent uncanceled.....	22.5	13.2	33.4

REVENUE FOR FISCAL YEAR 1944

Existing law.....	12,999.5
House bill.....	13,022.8
Senate bill.....	14,912.2
Conference report.....	16,005.9

The SPEAKER. The time of the gentleman from North Carolina has expired.

Mr. DOUGHTON. Mr. Speaker, I yield 6 minutes to the gentleman from Tennessee [Mr. COOPER].

(Mr. COOPER asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. COOPER. Mr. Speaker, it is with regret that I find myself in disagreement with the distinguished and beloved chairman of my committee. We have worked shoulder to shoulder in many legislative battles during recent years and have tried to be mutually helpful to each other. We have seldom disagreed, but on this occasion we are conscientiously and honestly unable to agree on this conference report. I am sure he accords to me the same sincerity of purpose that I very cheerfully accord to him. Three of the four Democratic House conferees did not sign the conference report, and I am one of those.

It is my conviction that the effect of this bill is to transfer an unfair and unjust part of the financial burden of this war from the wealthy to the lower income group of the people, and I am unable to support it.

You have been urging pay-as-you-go legislation. You started out to get taxpayers current and wind up here with a bill that gets less of them current than almost any plan that has been proposed. The result of your effort is to pass a bill that does not get taxpayers current, but only accomplishes the real purpose of forgiving taxes already due the Government and in many instances already paid.

The House by vote of 313, to 95, sent to the Senate a pay-as-you-go tax bill which forgave a total of about seven and one-half billion dollars. The conferees have brought back to the House a bill effectively forgiving about eight and one-half billion dollars of tax, after allowing for windfall provisions. A special tax of 25 percent on the lower of the liabilities of 1942 or 1943 further reduces the effective forgiveness under the conference bill to about six and one-half billion dollars. Because the amounts forgiven under the House bill and under the bill brought back in the conference report do not differ widely, you have been told, and you no doubt will be told again, that this conference bill closely resembles the House bill and represents a substan-

tial acceptance of the House bill. Quite the contrary is the truth.

The bill which the House sent to the Senate made 40,000,000 taxpayers completely and immediately current. The bill returned by the Senate to the House also made these 40,000,000 taxpayers completely and immediately current. This bill makes only 5,000,000 taxpayers current. The bill reported by the conferees, however, retains one-fourth of a year's tax liability on about 33,000,000 of these 40,000,000 taxpayers.

Who, then, gets from this bill the benefit of the amount improperly reimposed on these 33,000,000 taxpayers? The answer is that the tax which has been reimposed on these 33,000,000 taxpayers has been removed from the shoulders of about 380,000 taxpayers with incomes above \$10,000. The \$10,000 mark is about the breaking point in comparing the difference between the House bill and the conference report. Taxpayers with incomes of less than \$10,000 realize much less forgiveness under the conference bill than under the House bill and taxpayers with incomes above \$10,000 realize much greater forgiveness under the conference bill than under the House bill. That is what this conference bill does. It completely redistributes the burden of tax for the year 1942, and departs violently from the distribution of that tax under the House bill.

Let me give you some examples to illustrate the difference between the House bill and the conference bill.

A married couple with an income of \$3,000 is forgiven \$324 under the House bill, and only \$243 under this bill.

A married couple with an income of \$5,000 is forgiven \$691 under the House bill and only \$560 under this bill.

A taxpayer with an income of \$25,000 is forgiven \$4,437 under the House bill and \$6,915 under this bill.

A taxpayer with an income of \$50,000 is forgiven \$9,185 under the House bill and \$18,996 under the bill before you.

A taxpayer of an income of \$100,000 is forgiven \$18,690 under the House bill and \$48,045 under the bill before you.

Under the House bill a married taxpayer with an income of \$1,000,000 is forgiven \$139,750, while under the bill before you he is forgiven \$640,500.

Under the House bill the amount forgiven for those with net incomes over \$10,000 amounts to \$1,512,000,000 out of a total liability for these incomes of \$3,555,000,000, or 42.5 percent. Under the conference bill the corresponding amounts of the effective forgiveness, after allowing for the windfall provisions and the special 25-percent tax, are \$2,213,000,000 out of \$3,555,000,000, or 62.3 percent. The amount forgiven under the House bill is about seven and one-half billions and under the conference bill about six and one-half billions. The amounts forgiven for incomes over \$10,000 are 20 percent of the total forgiveness under the House bill as against 34 percent under the conference bill.

Thus, it is seen clearly that the effect of the bill which has been brought back to us by a majority of the conferees lifts the burden from the shoulders of a few large taxpayers and places it on the

shoulders of millions of small taxpayers.

This bill retains in its essential characteristics the same basic inequities present in the Ruml-Carlson bill, which this House on three separate and distinct occasions rejected. In this bill the taxpayer with a \$3,000 income is forgiven an amount equal to nearly 5 weeks of income after taxes; the taxpayer with the \$100,000 income is forgiven an amount equal to 15 months of income after taxes. This is the same Ruml-Carlson bill that we turned down before it was reduced to three-quarter size.

The reduction of the Ruml-Carlson bill to three-quarter size not only does not remove its basic inequities; in many ways it makes the bill even worse than the full Ruml-Carlson bill which we found so objectionable. This bill makes only 5,000,000 taxpayers current. The House bill makes 40,000,000 taxpayers current. The 4,000,000 which the House bill did not make current are those for whom current payment is not necessary and in many cases is not convenient or feasible. The 33,000,000 additional taxpayers, which the bill before you does not make current for 2 years, are the ones most in need of being made current. They are the ones for whom the hearts of the Ruml-Carlson proponents bled when the Ways and Means Committee bill was before the House.

More serious is the fact that this bill will interfere with the adoption of the kind of tax bill we must have if this war is to be properly financed and economic disruption in this country is to be prevented or kept to a minimum. By providing for a 12½ percent collection of the 1942 tax in the coming year and another 12½ percent in the year following, this bill will almost certainly interfere seriously with the imposition of the additional taxes which are so badly required. Statements were made on the floor of the Senate that a 75 percent forgiveness would give increases in collection over the next 2 years which would take the place of tax increase on incomes. At a time when the President of the United States has asked for an additional \$16,000,000,000 in taxes or savings, or both, and when every indication points to the need of at least that amount for financing the war and blocking the development of serious inflation, we are placing ourselves in the position of making the necessary increases very difficult to get.

There is not only the fact that a small increase in receipts into the Treasury for the next 2 years under this bill stands in the way of increased taxes on individual incomes. There is also the fact that the cancellation of taxes under this bill is, as I have pointed out, grossly inequitable. When a new tax measure comes up it will be necessary to go to the small and middle incomes in order to get the great bulk of the revenue under that measure. This is for the simple reason that large incomes are already paying rates which cannot be increased in any great degree. It will be a serious matter to impose on the lower income group tax increases which will more than take away from them the amounts forgiven under this bill, while at the same time the higher income groups are not sub-

jected to increases which offset or even greatly reduce the benefits they would receive under this bill. The net benefits accruing to the large income groups will present an enormous obstacle in placing heavy tax increases on low income groups.

Accordingly, I say that although the Ruml-Carlson bill would interfere seriously with a new tax bill because of its inequity, this bill will interfere even more with a proper tax bill because it confuses the issue through the 12½ percent collection of 1942 tax liability this year and next year. The President has asked us for \$16,000,000,000. This bill forgives about \$6,500,000,000 and places a heavy obstacle on the increase of tax rates necessary to even distantly approach the \$16,000,000,000 request of the President.

The proponents of this measure point to some increase in revenue not only from the payment over 2 years of 25 percent of the 1942 tax, but to the operation of two so-called windfall provisions. These windfall provisions are a clear admission that the principle of the Ruml-Carlson bill, followed in the bill which the conferees have returned to the House, is inequitable and must be made to appear more presentable than it really is. The first of these provisions is to forgive the lower of the 1942 or 1943 tax. That is supposed to catch a person with an abnormally high income in 1942. No doubt it does so. But it also catches, and I suggest catches a great many more people whose 1943 incomes are abnormally low because of shortages, priorities, and other inevitable results from the war. We know that hundreds of thousands of small businessmen, for example, are suffering heavily in 1943. This windfall provision will catch them and label them as having abnormally high incomes in 1942. Millions of people for whom the relief of pay-as-you-go was intended will receive relatively little of its benefit under this windfall provision.

The second windfall provision is intended to catch people whose incomes in 1942 or 1943 were higher than in 1940, 1939, 1938, or 1937. It is intended to catch the war profiteers. No doubt it does catch some of them. But it also catches many innocent businessmen whose earnings were abnormally low in those pre-war years and who now must pay 1942 taxes on the excess just as though they were war profiteers. Moreover, I would point out that the conferees found it desirable to insert a provision that if a partnership has absorbed a corporation, then the partner's income shall be computed on the basis of the corporate income for 1940, 1939, 1938, and 1937, in order that a proper base-period income may be reconstructed. This is no doubt an equitable provision, but there are literally dozens, perhaps hundreds of other types of cases much more important than this very rare situation which will call out for similar relief. We are going to be faced in the application of this windfall provision with all the difficulty and problems we have gone through in trying to give general relief for persons with abnormally low base-

period earnings under the excess-profits tax. This second windfall provision fires a shotgun into a crowd. It catches many innocent people and opens the door to, in fact demands, a multiplicity of further amendment to prevent the harsh operation of the provision.

The House bill did not need windfall provisions of this kind because its distribution of cancellation was equitable. It avoided the basic windfall which the large income receiver gets out of the bill before you and which no windfall provision touches.

Sincerely believing that this bill does not include the essential elements of fairness and equity to the taxpayers of the country, and that the price paid in forgiveness is too great to pay for the desirable results of accomplishing a pay-as-you-go system, I am not in a position to give it my support.

Mr. KNUTSON. Mr. Speaker, I yield myself 10 minutes.

Mr. Speaker, in the consideration of the conference report it might be well to bear in mind that the House on two different occasions came within four votes of adopting the Carlson bill, which involved substantially 100-percent abatement. We present you the best compromise that we were able to work out after 5 days of hard and grueling work in conference. The Senate conferees voted as a unit on every proposition that came up, until one of the majority Senators announced that he would thenceforth vote for every compromise because he did not want it to go to the country that Congress is unable to function and that his party is unequal to the occasion.

The responsibility for enacting a tax bill and for getting the people of the country on a current basis does not rest with the minority, it rests with the party in power, but we have cooperated 100 percent. There was no politics in the conference; none whatever. This is shown by the fact that Senator GEORGE, Senator WALSH, Senator CLARK, and Senator BYRD voted with three Republican Senate conferees, or should I say the three Senate Republican conferees voted with the four Democratic Senators whom I have named.

Those who are opposed to the report we have brought before you would have you believe that the Federal Treasury is going to lose enormous sums of money if it is adopted. The contrary is the case. Under the existing law, the Treasury will take in \$12,999,000,000 in the next fiscal year. Under the House bill the Treasury would take in \$13,022,000,000. Under the Senate bill, the Treasury would take in \$14,912,000,000. Under the conference report, the Treasury will take in \$16,005,000,000. These figures are not mine; they are from the Treasury Department.

Speaking now to those on this side of the House who wanted complete abatement, may I say that it was out of the question to attain that end. I am not entirely satisfied with the report we are presenting to you. It is a compromise. That is the reason the bill was sent to conference, to iron out the differences between the two Houses and try to work out a reasonable compromise. I think

we have done so, notwithstanding the statements of the preceding speaker.

The American people want to be put on a current, pay-as-they-earn basis. Under the conference compromise, practically all of them, over 40,000,000, will be made current within 2 years. We could not do any better.

I ask you, as one American to another, can we afford to say to the country that we are not capable of rising to the occasion when an emergency exists? This country is at war. The cry is for revenue to wage that war. Let me ask you on the majority side, you whose primary responsibility it is to place people on a current pay-as-they-earn basis, What will the reaction of the country be to you if you fail them in this momentous hour? Ponder on that. That point was brought out by two distinguished Senators who belong to the majority party. Both of them said it would be one of the most unfortunate things that has happened in a long time if the conference report should perchance fail of adoption. Failure would be a serious indictment of representative government.

At this time I wish to pay tribute to one of the noblest Romans I have ever served with, the chairman of this committee, the beloved gentleman from North Carolina "Marse" BOB DOUGHTON. He recognized the emergency, he recognized the need for action, as did all of those who signed the conference report, and he was big enough to sweep partisan considerations and personal views aside and rise to the occasion. God bless him. I hope he stays in this House another 100 years.

At this point I shall offer for the RECORD a brief explanation of how the bill will operate.

Let us take the situation with which we are all familiar—our own income. In the case of a Member of Congress, with a \$10,000 salary, his tax liability for 1942 was approximately \$2,000 if he is a married man with no dependents. He filed a return last March 15 and presumably paid his first installment of \$500 on his 1942 liability.

Under the proposed new law, the second installment on the 1942 liability must also be paid. It is due June 15. Thus by July 1, when the withholding tax begins, he will have paid one-half his 1942 liability.

Under the conference report, all amounts paid on the 1942 liability will be applied against the current 1943 liability.

Beginning July 1, the Sergeant at Arms of the House, who is the official paymaster, will begin deducting the new withholding tax from each Member's salary. This is not an additional tax, but is for the purpose of collecting the income tax at the source. In the lowest surtax bracket, it will result in collecting the full liability at the source, but as the tax liability of Members of Congress extends beyond the first bracket only part of their liability will be collected through the withholding tax. The balance will be paid in installments. The withholding tax is 20 percent of the wage or salary in excess of the withholding exemption, which is \$52 a month for single persons and \$104 a month for mar-

ried persons. Thus the withholding on a Congressman who is a married man with no dependents would be 20 percent of the excess of the monthly salary, \$833.33, over the monthly exemption, \$104. This would be 20 percent of \$729.33, or \$145.87. This amount will be deducted monthly, and may be credited toward the 1943 liability.

On September 15, Members of Congress, like everyone else subject to income tax, will file a tentative return of estimated tax on their 1943 income. Assuming the Member's income for 1943 is the same as for 1942, the 1943 tax will nevertheless be greater because of the Victory tax, which became effective January 1, 1943. In the case of a married man with no dependents, the total tax on an income of \$10,000, including net Victory tax, would be \$2,467. By June 15 the Member would have paid half his 1942 assessment, or \$1,000, which would be credited on the 1943 liability. Also he would have had deducted from his salary up to July 1, on account of the present Victory tax withholding, approximately \$234.40, which would make a total of \$1,234.40 standing to his account as of July 1. Thus for the remainder of the year he would owe the difference between this amount, \$1,234.40, and \$2,467, or \$1,232.60. During the remainder of the year, however, there will be withheld from his salary \$145.87 per month under the withholding tax, which in the last 6 months of the year would total \$875.22. Thus, of the \$1,232.60 still owing on his 1943 liability for the last half of the year, all but \$357.38 will be collected at the source. This balance he will pay in two installments, one-half on September 15 and one-half on December 15. On March 15, 1944, he will file his final return for the year and make any necessary adjustments on account of overpayment or underpayment. At that time, on the same form, he will file his return of estimated tax for 1944, and will pay in installments so much of his tax liability for the year as is not being collected at the source.

The next question is, What happens to the 1942 tax liability under the bill? Seventy-five percent of this liability is abated under the bill, and the remaining 25 percent is collected over a period of 2 years in addition to current taxes. In the example cited, the 1942 tax was \$2,000. Thus \$500 of the 1942 assessment would be collected under the bill, one-half, or \$250, being payable March 15, 1944, and the remaining one-half on March 15, 1945.

If a Member had a higher tax liability on his 1942 income than will be due on his 1943 income, then his 1943 tax would be based on the higher income of the 2 years, and the 75-percent abatement would apply to the lower income of the 2 years.

Mr. DOUGHTON. Mr. Speaker, I yield such time as he may desire to the gentleman from Rhode Island [Mr. FORAND].

(Mr. FORAND asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. FORAND. Mr. Speaker, the conference report now before us is the old

Ruml plan in a new dress, and I shall vote against it.

The only difference between this report and the original Ruml plan, which would forgive 100 percent of a year's tax, is that the conference report reduces the forgiveness to 75 percent. Both operate on the same principle of percentage forgiveness rather than on a forgiveness based on a number of tax units as was provided in my bill, which passed the House on May 4.

This means that at a later date, through higher rates, the Treasury will recover from the lower- and middle-bracket taxpayer every dollar now forgiven him plus that amount forgiven to those in the upper brackets. In other words, it will collect from the lower- and middle-income groups to compensate for the bonus now being declared for the wealthy, the upper income group. The poor will pay for the benefit given to the rich.

Why do I say that? Because the incontrovertible proof stands out before our eyes.

It is generally agreed that the rate of 85.4 percent on incomes of \$1,000,000 is so high that it cannot be raised. To go any higher would amount to confiscation. It would be practically a capital levy. So when you forgive 75 percent of a year's tax to an individual with an income of \$1,000,000, which, under the provisions of this legislation amounts to \$640,000, you make an outright gift, you give him a bonus, and you cannot get any of it back when you increase the tax rate.

This is not true in the middle and lower brackets. On those taxpayers you will raise the rates, and you are going to do it sooner or later. Any statement to the contrary is questionable as to its veracity. It is an attempt to fool the taxpayer.

Our national debt, we are told, will run up to \$300,000,000,000 before this war is over. That debt must be paid. You cannot raise the rates for the large income so, after forgiving huge sums to the rich, you will raise the rates for the low- and middle-income groups to collect the money necessary to pay that debt. Such procedure, Mr. Speaker, is unfair and unjust to the small taxpayers. It is unfair and unjust to the white-collar class, and I shall not be a party to it. I shall vote against the report.

Mr. DOUGHTON. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. DINGELL].

(By unanimous consent, Mr. DINGELL was granted leave to extend and revise his remarks in the RECORD.)

Mr. DINGELL. Mr. Speaker, the bill now before us is supposed to be a compromise of the House and Senate pay-as-you-go bills. It is not my idea of a compromise. It uproots the principle we endorsed in the House bill by a vote of 3 to 1 and transplants in its place the principle adopted by the Senate. It grafts onto the transplanted Senate principle a few miscellaneous provisions to make a prettier display. But basically what we have before us is simply the Ruml plan set to three-quarter time. It is off key, it grates on my ears, it is all disharmony.

When the pay-as-you-go bill was sent to the Senate by this House it did what we needed to do, in a fair and reasonably simple way. It put the bulk of income tax on a current basis and abated enough of the tax to avoid hardship in the process of transition. In that bill, tax cancellation did what it was supposed to do. It was a means to the end of getting on a pay-as-you-go basis. But since it left this House, the end has been sacrificed to the means, and cancellation has become the basis for the biggest tax grab in history.

The bill presented to us by the Conference Committee is the product of a dog fight on the size and distribution of the tax grab and not on the principles of pay-as-you-go. There is nothing sound, nothing sensible, about the tax-forgiveness features of this bill. All they do is to specify how far each taxpayer can dip into the grab bag. The rule of thumb applied in forgiving taxes is simply this—the bigger your income, the deeper you reach into the grab bag of tax forgiveness.

By all odds, the prime beneficiaries of tax forgiveness under the conference committee bill are the taxpayers with incomes about \$10,000. There are \$380,000 taxpayers with incomes above \$10,000. They represent less than 1 percent of the total of 44,000,000 taxpayers. Yet, their cut of forgiveness is not 1 percent, or 5 percent, or even 10 percent. Oh, no; their cut is 34 percent of the entire amount of taxes forgiven under the Rumlized bill now before us. More than one-third of the total forgiveness goes to 1 percent of the taxpayers. Their cut is large and juicy indeed. Some people call that the principle of equality of treatment. I do not care much for a "principle of equality" which produces such gross inequality in practice and revitalizes the danger of inflation—or is the danger of inflation confined to the little fellow?

There has been some attempt to justify this wicked tax grab on the ground that the tax gift is not realized until death or until income slacks off. The Rumlites do not deny that tax forgiveness is a gift. They simply try to cloud the issue and say it is not realized right away. I think we can decide for ourselves whether or not it is realized right away. Find me a \$10,000 income man, for example, who does not salt away some funds to pay his taxes. You simply will not find him. If this bill becomes law, the funds the taxpayers have been salting away for payment of 1942 taxes will not have to be used for taxes. Taxpayers will be paying as they go and will be using current funds, not accumulated funds, to pay off their taxes. The money they set aside to pay 1942 taxes will be cash on hand. It will be money that can be added to the taxpayer's wealth or spent in inflationary buying. It will be an immediate tangible gift to the taxpayer to do with what he may. That is why forgiveness has become so popular. It is not just forgiveness to get pay-as-you-go. It is forgiveness for the sake of forgiving.

Who is going to pay for this forgiveness? After all, you cannot subsidize the rich without having someone paying for

it. And that someone is bound to be the millions of Toms, Dicks, and Harrys in our taxpaying population, the millions of taxpayers in the lower and middle brackets. After all, it is their rates which are mathematically capable of expansion. You cannot boost a 90-percent rate very far, but a 20, 30, or 40 percent rate lends itself to expansion. To get back the taxes canceled by this bill, you would have to raise the tax on a man with a \$2,000 net income from \$220 to \$350. Of if his income were only \$1,500 his tax would have to go up from \$78 to \$170. If his income were \$3,000, his tax would have to be raised from \$504 to \$702.

In other words to offset the tax forgiveness to the wealthy, you would have to double the tax rates of the great majority of average citizens. Apparently, doubling up of taxes is good enough for the little fellow, but the big fellow under this bill slices up the biggest pork pie in the history.

I have but a very short time to deal with the facts as they pertain to the conference report but I can best illustrate my views in the matter by comparing the report and its effect upon the Congress and people of the United States by saying that it is a legislative toadstool. To some it may look like the real thing but it is dangerous in that it is political poison. After this warning each and every Member of this House is on his or her own. If you suffer the ill effects of partaking of this dish, it is your own funeral, not mine.

Up to this point I have been talking about the fabric of the bill. Now, I want to take a look at the embroidery which has been attached to the bill to sell it to this Congress and to the people of this country. When I look at this frill of antiwindfall provisions and a 25-percent carry-over of the 1942 tax. I can only conclude that we are being lured to walk into an elaborately baited trap. Some of that bait looks pretty attractive and on the surface appears to improve the bill. Actually, the special provisions of this bill are merely an attempt to hoodwink and befuddle us and to camouflage the tax grab, which is the real core of the bill.

Limitation of forgiveness to 75 percent of the 1942 tax is supposed to be a major improvement. But it is still the Ruml principle, pure and simple. It still confers a permanent and irretrievable gift on the wealthy which is all out of proportion to the "Indian gift" that it confers on the average citizen. Let us not delude ourselves. This is simply the Ruml plan set to different music. It simply sings the Ruml lullaby in three-four time, instead of four-four time. And it reserves a special time for the little taxpayer—he gets the two time. He gets the least of tax forgiveness, but he will get most of the tax increases when the next tax bill comes up. Look out for the sales tax and the increased income tax rates which are to follow.

Now, how about this one-quarter of the tax that is not abated but spread over a 2-year period? A lot of loose talk would have us believe that this carry-over of 25 percent is a substi-

tute for tax increases. That kind of talk is sheer bunk and nonsense. First of all, under the conference committee bill, we will be paying only 2¼ years' taxes on 3 years' income. I do not know how you can call that quarter a tax increase when it is really a reduction of a tax liability already incurred. Second, it is ridiculous to speak of substituting the 25-percent carry-over for the tax increases we have to have to finance this war. What do the war profiteers expect? An enormous tax subsidy plus insurance against tax increases? That is asking too much, and we will be failing our duty on the home front if we adopt such an unrealistic program. The boys now in uniform will be asking questions when you begin to lay this load on their shoulders. It will prove embarrassing if you vote for this bill.

The so-called antiwindfall provisions of the bill before us also call for close scrutiny. As I understand it, antiwindfall provisions are supposed to be studied with teeth that bite into objectionable windfalls. Gentlemen, the provisions before us are toothless. They fail to strike at the basic inequity of the bill. They do not even touch the distorted structure of tax forgiveness under the Ruml principle on which it is based.

It is true that these so-called antiwindfall provisions will reduce the amount of forgiveness by about one and one-fourth billion dollars. But that reduction is made not at the expense of those who are unjustifiably enriched by war profiteering or those who are unjustifiably enriched by tax forgiveness—no, those reductions are made primarily at the expense of persons whose income happens to fall off in 1943. This bill makes a decline in income from 1942 to 1943 *prima facie* evidence of war profiteering. You and I know that such declines have occurred in millions of cases because war has offset peacetime activities and not necessarily because war inflated 1942 incomes. Basing tax forgiveness on the smaller of 1942 and 1943 taxes tars the innocent victim of war's dislocations with the same brush as the guilty war profiteer.

The bill also contains a provision for a special tax on excess income in wartime. This bill was so liberalized and watered down by the conference committee that it catches only a few fish in its net. Among those fish are not merely war profiteers but people who are just coming into their own as a result of long and diligent effort. Gentlemen, this bill simply does not recognize the difference between right and wrong. In this bill black and white have become fused into a dirty gray.

No amount of camouflage can hide the ugly fact that this bill hands out an unjust and discriminatory enrichment in the midst of a cruel and costly war. While American boys are dying on battlefields all over the world we have the spectacle on the home front of taxpayers feasting on the carcass of 1942 taxes. This is not a pretty picture, yet it is precisely what we are doing if we pass the conference committee bill. I want no part of a bill which matches the sacrifices being made on the battle fronts

with unjust enrichment on the home front.

I want to point out that the percentage differential in the forgiveness was definitely and hopelessly rejected but when in the final analysis I sought a differential on the basis of earned and unearned income, in other words, on a basis of such income as a man works and sweats for and such income as is gathered from coupon clipping, a principle which is well established in tax law allowing exemptions and variations, this, too, was turned down by the conferees and is not in the bill.

To show you how solicitous the conferees must have been about the greatest possible remission of taxes which are due the Federal Government from the upper-bracket taxpayers, they would not allow any kind of differential either in percentages or on a basis of earned and unearned income, but when it came to the consideration of the amendment which was offered by me in the Committee on Ways and Means and approved by the House, having to do with abatement of such taxes as might be due and payable from a soldier, sailor, or marine, who forfeits his life and his all for his Government, the conferees, with the assistance of the minority Members on the House side, retained until the last day the Senate provision which made of my original proposal a sham, a joke, and an insult to our heroic warrior dead because in their case it made a distinction between earned and unearned income. When on the last day of the conference I threatened to disembowel the report, the conferees, led by the minority of the House, backed off and the curse was erased.

Just imagine the courage of conferees who excluded from consideration the earned- and unearned-income distinctions because it would affect adversely the amount of irretrievable forgiveness granted to the upper-bracket taxpayers while at the same time insisted on making this distinction and applying it to a soldier hero who gave his life for his country and the conferees insisted that tax forgiveness would be allowed only on the earned income but if the soldier had sold his home and showed a profit of \$500 to \$1,000 or clipped a small amount of dividend coupons, he would have to pay unto the last cent and upon death it would be taken out of the amount collected from his estate, but the taxpayer with a million-dollar income from coupon clipping would receive without differentiation, the full 75 percent of remission provided for in the conference report. The conferees were frightened into the path of political righteousness by my warning. My original amendment, contained in the House bill, is now in the conference bill.

These are important reasons why I cannot vote for the conference report, and I urge that it be voted down for we would be far better off to remain on the tried and true basis than to create further and sinful inequalities. Remember when you vote for this bill you vote for eventual reimposition of all of the forgiveness and the great bulk of the recapture of the taxes so ruthlessly thrown

away at this time will have to come from the lowermost brackets, from the millions of men and women who are least able to bear the load and who already are overburdened.

Let me warn you that there will be no hesitation, in fact there will be an outright demand later to impose a Federal sales tax, not of 2 or 3 percent but possibly 10, 15, or maybe 20 percent. Imagine a man with a wife and four, five, or six little children paying through the nose to make up for the remission, for the congressional gift to those in the highest brackets, who cannot be made to pay under any system of reassessment. To that class of big taxpayers it will be an outright and irretrievable bonus, the equivalent of all the tax increases which we have imposed upon them in the past 5 years. In this class you will find many of the type of Heintz and Jacks, wartime profiteers. Some people will be permitted to retain millions in war profits and will keep them with congressional approval while the small taxpayer will be scalped. Those who will vote to approve this conference report will either do it blindly or feign to believe that there is no threat to inflation while they contend that a few extra dollars in the pocket of the little fellow threatens our very existence. A surplus dollar with no place to go, whether in the pocket of a rich man or a poor man, unless invested in a War bond, is a threat to inflation.

I am going to be free to follow the proper course when the next tax bill comes up. My position will not only be defensible but absolutely impregnable, but some of you Members here who are going to impress your imprimatur upon this conference report, are going to have the time of your lives making explanations to your constituents when the next campaign rolls around. Any candidate passing an I. Q. test of a 14-year-old boy who will make an issue of your vote in support of this iniquitous proposal will drive you out of Congress.

Should the conference report prevail, I am of the impression that the President should and will veto the bill because there is nothing wrong with our present tax system, and while it may be desirable to establish the system of paying as you go and collecting at the source, it is not worth the price we are called upon to pay for its establishment and the inequalities cannot be justified by any argument.

As time goes on you will find that the attitude of my friend from Tennessee, and my equally distinguished and sincere friend from Oklahoma, with whom I join, will be recognized because it is honest and just, and constitutes a force that is irrepressible.

The principle embodied in the conference report is a typical and time-honored Republican principle of what is fair and equitable. It does not square with the ideals of Jefferson, Jackson, Wilson, or Roosevelt; therefore, let the Republicans pass it if they can, and let there be no defections on our side. Let there be no support of this heretical doctrine that remits \$75 in the case of one taxpayer, which will later be reassessed three times

over, and permits the remission of \$750,000 to another taxpayer which cannot be recaptured. This is not equality in treatment, it is inequitable and unjust.

If the House will vote down the conference report, we can bring back a report that will differentiate in a fair way between small and large taxpayers and allow abatement on a percentage basis, and my idea is that it ought to be abated in the same way that it was put on in the 1942 tax bill. There can be no argument about the fairness of taking it off as you put it on, but there is a lot of argument against forgiving 75 percent of all of the tax increases which you, by previous action, applied in the last 5 years.

THE DINGELL PLAN

It will be interesting for the Members of the House to know that I suggested a plan to the House and Senate conferees which, for the want of a better designation, would be known as the Dingell proposal or plan, which would bring about absolute currency in tax collection and would embody the feature of collection at the source without any forgiveness or abatement whatsoever. Currency in payment would be brought about by the simple and gradual change in the practice of collecting income taxes due by setting back the first collection due date and the final date for payment 3 months in each of the coming years except the first year, when the initial set-back would be only 2 months, until full currency was attained. This plan, for a certainty, would work out as regards the individual income taxpayer. There is no challenging that statement. It might even be extended eventually to include corporation income taxes.

To illustrate my plan, an income taxpayer under existing law pays his 1942 tax by making his first or part payment, or even all of it, on or before March 15 of 1943. He must pay the balance of his obligation, if any, under pain of penalty, by December 15, 1943. My plan, aiming at eventual currency, would obligate the taxpayer to pay his 1943 tax by partial or full payment beginning January 15, 1944, with a final payment, if any, payable by October 15, 1944, instead of the customary December 15, as provided under present law. The tax for the following year would be due and payable beginning October of the same year and the final payment would have to be paid on or before July 15 of 1945. Thus each year the grace period would be reduced or revised toward currency until all taxpayers simultaneously became current, and this would be without any remission or forgiveness whatsoever. But this plan was not very attractive because it was not sweetened with full or partial abatement.

Under the plan which the conference submits to the House, such tax payers as are to become current will not attain such classification or status until the end of 1945. I believe, under my plan without any abatement and beginning in the shift of initial payment date in the year 1944, we would be fully current in 1947. I will include in the *RECORD* a rough sketch or a table which I prepared and

believe is readily understandable which will serve as a guide for the membership.

The table follows:

	<i>Last payment due</i>
If 1943 tax due date is moved from Mar. 15 to Jan. 15, 1944.	Oct. 15, 1944
If 1944 tax due date is moved from Jan. 15, 1945, to Oct. 15, 1944.	July 15, 1945
If 1945 tax due date is moved from Oct. 15 to July 15, 1945.	Apr. 15, 1946
If 1946 tax due date is moved from July 15 to Apr. 15, 1946.	Jan. 15, 1947
If 1947 tax due date is moved from Apr. 15 to Jan. 15, 1947.	Oct. 15, 1947
If desired, when year of currency is attained, final date of payment of taxes could be extended to Dec. 15, 1947.	

Mr. KNUTSON. Mr. Speaker, I yield 10 minutes to the gentleman from New York [Mr. REED].

(By unanimous consent, Mr. REED of New York was granted leave to extend and revise his remarks in the *RECORD*.)

Mr. REED of New York. Mr. Speaker, an ancient law that I ran onto said that a well-made law should be formulated on the basis of caution, perspicacity, precision, sagacity, and conciseness. I can hardly claim that this particular conference report brings in a bill here which fulfills those requirements. I think this has been one of the hardest tasks I ever faced in this legislative chamber. We are in the midst of war, and it would seem as though we might have gotten together without such a waste of time.

I am not particularly enamored of this conference report, but I feel that I would not be discharging my duty unless I were to vote for it. The people of this country are entitled to know just where they stand so far as this bill is concerned. We started out as a committee in good faith to hold hearings for one specific purpose, and that was to make the people current in the payment of their taxes. The reason for that was known to every person practically in this country. That was that the rates had become so high, and the tax load had increased so rapidly, that to go on under the old system of collecting the taxes a year behind was a dangerous thing, and it would become more dangerous as we proceeded to put on an ever-increasing tax load. Once before I called attention to the fact as to just how rapidly this load has been put on the backs of the people. In 1940 the tax load was about \$5,387,000,000. In 1941 it was stepped up to \$7,607,000,000; in 1942, \$12,700,000,000; in 1943, \$22,976,000,000; and in 1944, \$33,081,000,000. Then you add onto that \$10,000,000,000 of local and State taxes, and we are now looking forward to the \$16,000,000,000 in addition which the President still insists upon.

Word has gone out to the country that if this bill is passed it will not be necessary to raise the \$16,000,000,000. I fail to see where that can possibly be true, because we are going to spend in 1943, \$80,000,000,000; in 1944, \$104,000,000,000, and we are going to have a debt in 1944 of \$210,000,000,000. I fail to see how you can go along here for 2 years, or for 1 year, without another tax bill.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. REED of New York. Yes.

Mr. KNUTSON. The gentleman will recall that in the conference committee it was told us that the adoption of this report would probably obviate the necessity for another personal income tax bill for this year.

Mr. REED of New York. Oh, I have listened to promises from this administration since 1933, and I know of only one that was kept, and that was to make the country wet. That was in 1933. I have a list, comprising almost a volume, of New Deal broken promises, so that I do not attach very much importance to what was said by administration leaders in conference, in regard to additional taxes.

Mr. MORRISON of North Carolina. Mr. Speaker, will the gentleman yield for a question?

Mr. REED of New York. I would like to, but I cannot at this time as I have only a few minutes left.

In order to meet at least a large part of the tremendous outlays now being made for war purposes, totaling over one hundred billions annually, and at the same time aid in the check against ruinous inflation, burdensome taxes must of course be levied. In the past few years the tax load has been increased by leaps and bounds, without giving taxpayers a chance to adjust themselves to each new increase. All the increases have been retroactive in effect, and it is this feature of the recent tax bills which has worked a tremendous hardship on all taxpayers, since they have had no opportunity to prepare for the increased burden, or adjust themselves to it.

The 1942 tax bill, for example, was not enacted until October 21, 1942, after nearly 10 months of the year had gone by, yet it was made applicable to all income earned from January 1, 1942. Most of the responsibility for the delay in the enactment of the 1942 measure was due to the administration's procrastination in formulating its program and its subsequent reversal of position on several major policies. On two occasions the President intervened at the last minute by suggesting changes which were in contravention of the administration's previous position—once in connection with the lowering of personal exemptions, and the other time in connection with the taxation of excess corporate profits.

The high level of present taxes, coupled with the fact that the income tax row reaches the great mass of the people, has aggravated and made more obvious certain fundamental defects in the present tax-collection machinery. One of these defects is that the personal income tax is not collected until the year after the income on which it is based is earned. This works a great hardship on the taxpayer when his income ceases, as at death, retirement, or loss of his job, as well as when his income sharply declines. Under the present collection method the income tax is not actually based on ability to pay, as

it is supposed to be, since it is levied on the income of the past year, and not on the income of the current year, out of which it must be paid.

On February 2 of this year, in response to widespread popular demand, the Ways and Means Committee began public hearings on various proposals to place the personal income tax on a current, pay-as-we-go basis. To correct the defects in the present system, it was determined that the income tax should be assessed against current income instead of the past year's income, and be collected out of current income as the income is earned. It was made clear that this change would be of benefit to the Treasury, as well as to taxpayers, since it would tap the higher level of national income 1 year sooner than under existing law and at the same time reduce tax delinquencies.

Among the plans considered by the Ways and Means Committee were the following:

First. Doughton plan No. 1, which, in addition to collecting taxes currently, would have involved substantial doubling up by requiring taxpayers to carry forward their 1942 liability, recomputed at 1941 rates and exemptions, and discharge it over a period of 3 to 5 years.

Second. Doughton plan No. 2, which would have carried forward half the 1942 assessment in the case of all taxpayers and collected this amount in addition to current taxes over a period of 5 years.

Third. The Robertson-Forand plan, which would have made taxpayers current to the extent that their liability did not exceed the amount proposed to be withheld at the source under a 20-percent withholding tax.

Fourth. The Carlson plan, which is a modified Ruml plan, and which would have made all taxpayers immediately current with no doubling up in their payments. This would have been accomplished simply by changing the basis of assessment of 1943 taxes from 1942 income to 1943 income, and by abating the previously assessed 1942 liability.

Of the various plans considered, the Carlson plan was the one plan and the only plan which would make all taxpayers current with no doubling up. The other plans either did not make all taxpayers current, or else delayed the objective for a period of years and in the meantime required substantial doubling up in payments.

In March, the majority of the Ways and Means Committee voted down all pay-as-you-go proposals, and reported to the House a measure which failed to make any taxpayers current, and which would not have permitted any taxpayers to become current except by paying 2 years' taxes in 1 year. Nine Republican members of the committee, who had supported the Carlson plan in committee, offered the proposal as a substitute for the committee bill. It failed of adoption by a vote of 198 to 215. The House then recommittees the wholly unsatisfactory committee bill to the Ways and Means Committee by a vote of 248 to 168.

After reconsideration of the matter the majority members of the Ways and Means Committee, on April 30, reported

to the House the so-called Doughton No. 1 plan, which, as previously pointed out, involved substantial doubling up as the price for getting taxpayers current after 3 years. Again the Republican members of the committee proposed the Carlson plan as a substitute, and this time it failed of adoption by a margin of only 4 votes, 202 members having voted for the substitute and 206 against. The Republican minority then moved to recommit the committee bill, with instructions to report back the Robertson-Forand bill forthwith, as a substitute. This measure, while it did not make all taxpayers current, did make 90 percent current with no doubling up. It was felt that if this measure were sent to the Senate, the other body would amend it by substituting the Carlson plan. The House adopted the motion to recommit by a vote of 230 to 180. On final passage, the amended bill embracing the Robertson-Forand plan was adopted by a vote of 313 to 95.

When the bill reached the Senate, it was referred to the Finance Committee. That committee, after considering the same plans which had been studied by the Ways and Means Committee, adopted a modified Ruml-Carlson plan as a substitute for the House bill. When the measure reached the Senate floor, various alternative plans were again considered, but the Carlson plan, as modified, was the only one which commanded a majority vote in the Senate. Following is a list of the various plans considered by the Senate and the vote thereon:

Ellender amendment—no abatement of 1942 liability—defeated 21 to 57.

Connally amendment—Doughton No. 1 plan—defeated 29 to 50.

George amendment—75 percent Carlson plan—defeated 32 to 50.

O'Daniel amendment—withholding tax only—defeated 29 to 48.

Bankhead amendment—Robertson-Forand plan—defeated 27 to 52.

Finance committee amendment—Carlson-Ruml plan—carried 48 to 31.

On final passage, the Senate bill was agreed to by a vote of 49 to 30.

Upon the passage of the bill by the Senate, the Senate insisted upon its amendment and asked for a conference with the House. After the conference was agreed to, the Republican minority on the Ways and Means Committee sponsored a motion to instruct the conferees to agree to the Senate bill. Had not the President intervened by sending a letter to Chairman GEORGE and Chairman DOUGHTON urging the defeat of the Senate bill, there is no question but what our motion would have carried, and the people would have been given the Carlson-Ruml plan, which they overwhelmingly desire. The President's letter, however, had the effect of swaying enough votes to prevent our motion to instruct the conferees from being carried, and it was defeated 194 to 202.

The conference committee met for a week trying to arrive at an agreement. Although a majority of the Senate conferees favored the Carlson plan, it has not been possible to secure its adoption in conference since the majority mem-

bers of the House conference group are definitely and unalterably opposed to it. The three Republican members of the conference consistently supported the Senate bill, embracing the Carlson plan, but without at least one vote from the Democratic side we were unable to command a majority vote. While our votes, coupled with those of the Senate members favoring the Carlson plan, represented a majority of the conference committee, the rules require the conferees on the part of each House to vote as a unit in accordance with the will of a majority.

With the threat of a Presidential veto being bandied around, the Senate Democratic conferees were anxious to compromise on something short of the Carlson plan. The House Democratic conferees had little to offer except the discredited Doughton No. 1 plan and the Robertson-Forand plan, neither of which were acceptable to the Republican minority members of the conference or to the Senate conferees. Finally, the Democratic House conferees proposed a 60-percent Carlson plan, but this, too, failed to receive our support or that of the Senate conferees.

The Senate conferees proposed as a compromise the so-called George plan, which had been offered in the Senate by Senator GEORGE. This, in effect, was a three-quarters Ruml-Carlson plan, since it abated 75 percent of the liability of the lower-income year, 1942 or 1943, in the case of all taxpayers. The House Democratic conferees were unyielding on this compromise proposal because of the amount of abatement involved, and the House Republican conferees were opposed to it in principle because of the fact that it involved some doubling up, which was the basis of our opposition to all substitute proposals for the Carlson plan.

The conference committee, as I have indicated, sat for a week without being able to arrive at any agreement. A deadlock was in prospect, with the result that there would be no legislation on the subject enacted into law. As a final compromise proposal, the Senate conferees offered a plan based on the George 75-percent proposal, but with 100-percent abatement of 1 year's liability where the tax was \$50 or less. The plan also included the principle of the two antiwindfall provisions of the Carlson plan, limiting the abatement to the lower income of the 2 years, 1942-43, and excluding from the abatement smaller war profits.

It became evident that if any agreement was to be reached with the Senate, it would have to be on this proposal. I personally did not favor it because of the doubling-up feature, resulting from the carry-over of 25 percent of the past year's liability. I have felt all along that the Carlson plan was the only fair and practicable measure for accomplishing the transition to a current, pay-as-we-go basis of income-tax collection. But here we were, faced with the dilemma of either accepting the Senate compromise proposal or being responsible for the complete break-down of the conference and the collapse of the effort to at least

substantially achieve the desirable and necessary tax reform which we had set out to accomplish. I felt that under the circumstances I must subordinate my own views on the subject and vote to accept the compromise proposal so that the pay-as-you-go system could be put into immediate effect and the transition to a fully current basis be accomplished within a reasonable time.

The 25 percent carry-over, which will be spread over a period of 2 years, will in effect amount to a 12½-percent increase in tax payments in 1944 and 1945. However, it is to be hoped that such increase will be in lieu of any increase in rates in connection with the President's request for \$16,000,000,000 of additional revenue, since there is a limit to what the taxpayers can stand.

If the Carlson plan had been adopted, there would be no such doubling up. Except for the opposition of the administration, and the President's interference, the Carlson plan would undoubtedly have been adopted by the House after it had been passed by the Senate. The full responsibility for the increased liability under the conference agreement must therefore rest squarely on the shoulders of the administration. We of the Republican minority, both in the House and Senate, certainly did all we could to give the people the Carlson plan, and we regret that our efforts were not successful. So far as I am personally concerned, I want to say that while I signed the conference report, I did so only in order to get any legislation at all and not because I favor the compromise over the Carlson plan. I am still for the Carlson plan, but I realize that under the present circumstances there is no possibility of securing its enactment.

Following is a brief summary of the principal provisions of the conference agreement, and an outline of how it will apply in the case of the average taxpayer.

The bill as agreed to in conference provides for withholding at the source, commencing July 1. The withholding rate will be 20 percent, and will apply to wages and salaries in excess of the withholding exemptions, which are \$624 annually for single persons, \$1,248 annually for married persons, and \$312 annually for each dependent. On a weekly basis the withholding-tax exemptions are \$12 for single persons, \$24 for married persons, and \$6 for each dependent. On a monthly basis they are \$52, \$104, and \$26, respectively.

If, for example, a married man earns \$50 a week, his employer will withhold out of each pay envelope, commencing July 1, 20 percent of the excess of the weekly pay over the weekly exemption of \$24 which is applicable in his case. Thus the withholding tax would be 20 percent of \$26, or \$5.20. This withholding tax will be credited against the current income-tax liability of the taxpayer. It is not an additional tax, but simply a means of collecting the personal income tax at the source as the income is earned. The withholding will only apply to wages and salaries, and in general will cover only those types of employment as are now affected by the Victory tax with-

holding. Thus it will not apply to agricultural labor, domestic servants or self-employed persons. The present Victory tax withholding will be absorbed in the 20 percent rate, which is intended to cover both the Victory tax liability and the first bracket liability under the regular income tax. Those whose tax for the year does not exceed the amount withheld at the source will have nothing more to pay. Those whose liability does exceed the amount withheld, and those who are not affected by the withholding, will pay their remaining or entire tax, as the case may be, in quarterly installments.

The tax paid March 15 of this year on account of the past year's liability will be credited against the current year's liability. The June 15 installment on last year's income must be paid in full, and it will also be credited to the current year's tax. Those who paid their tax in full on March 15 will not have to pay any September 15 or December 15 installment unless their income for 1943 is higher than for 1942. The withholding tax will be collected, however, and any overpayment will be refundable March 15, 1944.

On September 15, taxpayers will be required to file a return covering their estimated income for the year. At that time, they will take credit for the amounts paid on March 15 and June 15, and adjust their September 15 and December 15 installments accordingly. They will also take credit for the amount withheld out of their pay envelopes after July 1. On December 15 they may, if they desire, file an amended return showing an increased or decreased income over that previously estimated. The final return for the year will be filed March 15, 1944, at which time any necessary adjustments can be made, based on the actual income for the year, and the actual outlays for contributions, interest payments, and other deductions. On the same final return, taxpayers will show their estimated income for the ensuing year. Amended returns may be filed on any of the subsequent quarterly installment dates, if necessary.

In order to assure the filing of substantially correct estimates of income during the year, either on the original return or the amended returns, the bill provides that taxpayers must pay during the year at least 80 percent of the amount finally ascertained to be due for the year, or face an interest penalty of 6 percent of the amount by which the payments during the year fall short of 80 percent of the actual liability shown on the final return. In the case of farmers, only two-thirds of the final liability must be paid within the year to avoid the interest penalty, and they also are not required to file a return of estimated income until the last installment date, December 15.

The 1943 tax liability will be based on the higher income of the two years, 1942 or 1943, in the case of all taxpayers—except members of the armed forces, as hereafter explained. In order to prevent any undue doubling up of taxes as a result of the shift to a current collection basis, the conference report pro-

vides for the abatement of three-fourths of the liability for either the year 1942 or 1943, whichever is the lower. Where the amount of tax due in the lower year is \$50 or less, the liability is completely forgiven, and there is no carry-over. On liabilities of between \$50 and \$66.67, there is a flat \$50 abatement, and on liabilities over \$66.67, the 75 percent abatement applies.

The unabated one-quarter of the tax for the lower of the two years will be collected in two installments, one of which is payable March 15, 1944, and the other on March 15, 1945. No interest will be charged. In effect, this carry-over amounts to a 12½ percent increase in tax payments during these two years, since it is added to the payments on account of the current liability for such years.

Those whose income in the abated year—1942 or 1943, whichever is lower—exceeds the highest income for 1937, 1938, 1939, or 1940 by more than \$20,000 will be subject to a special antiwindfall provision, the effect of which is to limit the abatement to so-called normal income and to prevent its application to swollen war profits. This would be accomplished by collecting as a windfall tax the difference between the 75-percent abatement of the tax for the lower of the 2 years, 1942 or 1943, and a tentative tax, computed at 1942 rates, on the total of the base year's income plus \$20,000. For example, if the tax in the lower of the 2 years, 1942 or 1943, were \$400,000—the approximate tax on an income of \$500,000—there would be a provisional abatement of 75 percent, or \$300,000, and the balance, or \$100,000, would be carried forward and collected over the next 2 years in addition to current taxes. The \$300,000 provisional abatement would then be compared with a hypothetical tax on the highest income for 1937, 1938, 1939, or 1940, increased by \$20,000. If the resulting hypothetical tax were equal to or greater than the amount provisionally abated—75 percent of the tax for the lower year, 1942 or 1943—no windfall tax would be assessed since no abnormal profits would be indicated. However, if this hypothetical tax on so-called normal income had amounted to only \$100,000, then the abatement would be limited to this sum, and the difference between it and the \$300,000 provisional abatement would be collected as a windfall tax. This windfall tax may be paid in four installments, at the option of the taxpayer, with interest at 4 percent, the first installment being due March 15, 1945.

In the above example, the taxpayer would owe the full tax for the highest income year, 1942 or 1943, plus one-quarter of the liability for the lower of the 2 years, plus the windfall tax.

The conference report includes three special provisions for members of the armed forces. First, there will be no increase in their 1943 tax on account of having had a higher income in 1942, insofar as such 1942 income was earned income, as distinguished from unearned or investment income. The first \$3,000 of the 1942 income would be presumed to be earned in all cases, but no amount

over \$14,000 would be recognized as earned income. Thus if a soldier had a civilian salary of \$10,000 in 1942 and a service income of \$600 in 1943, his tax for 1943 would be based solely on his 1943 income and not his 1942 income, and there would be no carry-over of any part of the 1942 liability. In such case the 1943 tax would cover the full liability for the 2 years, except as the abatement provisions might be applicable. They require that the 1943 tax be increased by 25 percent of the tax for the lower year—1943—if it is in excess of \$50, but since in the above example the soldier did not have sufficient income in 1943 to make him subject to tax he would have no liability either on account of 1942 or 1943.

The second provision in the interest of members of the armed forces is that which increased their exemption for income-tax purposes. They are permitted under the conference report to exclude from gross income the first \$1,500 of their service pay, regardless of rank, and in addition will be entitled to the regular exemption of \$500 for single persons, \$1,200 for married persons, and \$350 for each dependent.

The third provision relating to members of the armed forces would cancel any outstanding income-tax liability of such a person who dies while in active service.

Mr. DOUGHTON. Mr. Speaker, I yield such time as he may care to consume to the gentleman from Oklahoma [Mr. DISNEY].

(By unanimous consent, Mr. DISNEY was granted permission to revise and extend his remarks.)

Mr. DISNEY. Mr. Speaker, this is sorry business, and every Member knows it.

This Ruml plan, from a practical standpoint, trades a big year of taxes for a bad year. It gives away the taxes for the most prosperous year of our history, and the Government takes the loss in the first bad year we come to. It is argued ingeniously we must "take the taxes out of the salary check." But this monstrosity forgives 75 percent, not only of the tax on salaries of workers, but it forgives 75 percent of taxes on capital gains, bond interest, dividends, real-estate profits, commissions, and like income. Besides being so flagrantly dishonest, it is cumbersome, a nuisance, and a constant annoyance.

I believe in the collection of taxes at the source, but not in the tossing away of revenue. A Congressman takes an oath to support the Constitution. He also has a duty to protect the revenues of his Government against private deceit and public clamor.

For these reasons and many others advanced in the RECORD I shall vote against the conference report.

Mr. MORRISON of North Carolina. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I am sorry, but I do not have the time.

Mr. MORRISON of North Carolina. How are we going to get any information from the committee if they will not yield to anybody except to listen to them speak.

Mr. DOUGHTON. If the distinguished gentleman had asked me to yield, I would have been glad to. He did not do me that honor.

Mr. MORRISON of North Carolina. I was afraid to ask the chief himself when I could not get anybody else to answer. I want some questions answered.

Mr. DOUGHTON. If the gentleman has read the report, which has been available for several days, it gives all the information at my disposal. I am sorry I do not have time to yield at this time.

Mr. Speaker, I yield such time as he may desire to the gentleman from Wisconsin [Mr. SAUTHOFF].

(By unanimous consent, Mr. SAUTHOFF was granted permission to revise and extend his remarks.)

TAKES AGAIN

Mr. SAUTHOFF. Mr. Speaker, this Ruml plan has about as many lives as an alley tomcat, and about as many morals. No matter how many times it is defeated it always bobs up again in a new guise. So here she is again, 25-percent reformed, and the Congress will take her to its manly bosom at a shotgun wedding and all will be forgiven—at least 75 percent of all will be forgiven, which is a pretty good average on sin in Washington.

This bill is not a tax bill at all, but merely a method of collecting taxes, or, rather, not collecting taxes. The President advises us and the country that we need \$16,000,000,000 of additional revenue, so we spend 5 months in devising a plan to avoid additional revenue. Under this bill we forgive:

Three weeks pay to the average wage earner.

Two and one-half months pay to Members of Congress.

Four years' income after taxes to wealthy persons in the upper bracket income class.

Evidently tax forgiveness is being rationed and big business has the proper priorities with a 28-percent cut to Members of Congress.

Naturally, the question arises, How will we raise the extra \$16,000,000,000? The answer is, by a Federal sales tax. For more than 30 years I have opposed the principle of the sales tax. I have felt, and still do, that it violates the fundamental principle of taxation—let the burden rest on those best able to pay. The sales tax reverses this principle and places the tax burden upon the food, clothing, and other necessities of those least able to carry the load. And yet the pious proponents of this new tax will say, "It is the only way to prevent inflation." My answer to that is this: No \$50-a-week wage earner is buying \$3.50 steaks in the swanky hotels and restaurants of Washington. Only those who have the money can afford the outrageous prices for food in our Capital City. It is not the Government employees, clerks, stenographers, mail carriers, and so on, who run up the price of food.

Speaking of food calls to mind the roll-back. One thing brings on another in

this upside-down program. In order that we may keep down food prices to the consumer, and at the same time keep up production, we are going to pay subsidies. On June 1 there was a roll-back of 10 percent on the price of butter. Let us say that this roll-back will amount to 5 cents per pound. Under present restrictions that means 60 cents per year per person. The subsidy will be paid to the creameries and will cost the Government \$90,000,000 annually. There will also be a roll-back of about 2 cents per pound on meat, and 2 cents per pound on coffee, and that will run about \$350,000,000 per year. All of which will amount to less than \$1 per month to the average American family on butter, meat, and coffee. To affect this saving, which means less than 1 cent a day to the consumer, it will cost the Government \$450,000,000 annually. This means more taxes, and more taxes means more wages, and more wages means higher cost of living, and so the merry dance goes on, and no relief in sight.

The Congress vetoed the President's \$25,000 ceiling on wages, which I felt was a mistake. The Congress again made a mistake on this tax bill. Both of these congressional acts aided big money. And the third mistake will be made when we pass a sales tax. All of these measures will work to the detriment of the average wage earner. The President made a mistake in not taking Mr. Bernard Baruch's advice on the first price-fixing bill, which Mr. Baruch said was no good and would not work. The results speak for themselves. It seems strange that we should not be realistic enough to face the facts and remedy them.

Mr. DOUGHTON. Mr. Speaker, I yield such time as he may care to consume to the gentleman from South Carolina [Mr. FULMER].

[Mr. FULMER addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. DOUGHTON. Mr. Speaker, I yield 1 minute to the gentleman from North Carolina [Mr. FOLGER].

Mr. FOLGER. Mr. Speaker, I realize the situation in which the chairman of the Ways and Means Committee is placed. I would go with him anywhere, but I am not in the same embarrassing situation he is. I regard this bill as it comes back by way of a conference report to the House as economically unsound and morally wrong, and I cannot support it.

The SPEAKER pro tempore (Mr. GORE). The time of the gentleman from North Carolina has expired.

[Mr. DOUGHTON addressed the House. He remarks will appear hereafter in the Appendix.]

Mr. KNUTSON. Mr. Speaker, I yield 5 minutes to the gentleman from Illinois [Mr. DEWEY].

Mr. DEWEY. Mr. Speaker, one of my fellow members of the Ways and Means Committee said it would be a sorry spectacle if this bill should pass. I think it would be a sorry spectacle if this Congress did not answer the demand of the

American people to get on a pay-as-you-go tax basis. They are asking for that.

As we all know, there are two means of accomplishment. You can pay 2 years' taxes in 1 year. That is almost impossible. You can pay parts of 2 years in 1 year, and that is somewhat possible. It will be a great burden, no matter how it is levied, owing to the high rates of taxes that are now necessary to support our war effort.

This conference report does a good job in making the transition to a pay-as-you-go system as easy as possible. It does another thing. It also makes it possible not to have to write new rates for personal property taxes in 1943. Of course, there is no guaranty that they will not be raised, but by spreading the unforgiven 25 percent of the lower year, at least \$1,225,000,000 will be raised. If that sum is added to the admitted revenue increase of \$3,000,000,000, due to the increase of national income, the revenue will be \$4,225,000,000 more in fiscal year 1944 than it would be if we did not pass the bill.

Mr. MORRISON of North Carolina. Will the gentleman yield?

Mr. DEWEY. I will yield in just 1 minute, if you please.

What the people want is to get on a pay-as-you-go basis. In addition, the people want to know what will be the tax rates during the ensuing year, and not fear that new rates written in the fall of 1943, will be made retroactive to January 1, 1943. This bill will make everyone current by March 15, 1945, and it will place the least burden on all. It is not giving away the Treasury. It is acting fairly with all taxpayers in proportion to the amount they have been paying in taxes.

I now yield to the gentleman from North Carolina for a question.

Mr. MORRISON of North Carolina. Can the gentleman tell us how, if we adopt this pay-as-you-go plan and then should not be satisfied with it and want to go back to paying our taxes as we always have done for the preceding year, how can we do it with no year to substitute?

Mr. DEWEY. In 1945 Congress could change to the old system if it wished to.

Mr. MORRISON of North Carolina. How?

Mr. DEWEY. I only have 5 minutes and I cannot enter into a long argument on writing a new tax bill for the gentleman. I am discussing the bill that is before us and I cannot yield any further.

Mr. MORRISON of North Carolina. Will the gentleman yield?

Mr. DEWEY. I cannot yield further. I would like to say in closing, the Ways and Means Committee has struggled for 4 months.

The accusation that there has been any favoritism shown either to large or small taxpayers is unfair and unjust. The compromise bill before us is the only means of getting on a pay-as-you-go basis and I can assure you, Mr. Speaker, that the people demand that of us and demand a current tax bill at the same time.

I hope that the House will vote for the bill brought to them by the committee of conference.

Mr. Speaker, I yield back the balance of my time.

Mr. KNUTSON. Mr. Speaker, I yield such time as he may desire to the gentleman from New Jersey [Mr. McLEAN].

[Mr. McLEAN addressed the House. His remarks will appear hereafter in the Appendix.]

(Mr. McLEAN asked and was given permission to revise and extend his remarks.)

Mr. KNUTSON. Mr. Speaker, I yield such time as he may desire to the gentleman from California [Mr. GEARHART].

Mr. GEARHART. Mr. Speaker, at the outset of the debate on the so-called Ruml-Carlson plan I announced that I was opposed to any forgiveness or any compulsory doubling up.

As the conference committee bill contains both of these vices I must oppose and will, at the proper time, vote against the adoption of the conference committee's report.

(Mr. GEARHART asked and was given permission to revise and extend his own remarks.)

Mr. KNUTSON. Mr. Speaker, I yield such time as he may desire to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON of Kansas. Mr. Speaker, it is my hope that today—after 5 months of deliberation—the House will approve the conference report on pay-as-you-go tax legislation.

Generally speaking, no compromise can be wholly satisfactory to everyone. This conference agreement is no exception. I think it is time that we resolve some of our personal views into legislative language and give our Nation current income-tax collections. The House of Representatives and Congress must demonstrate to the people of our Nation that we can legislate.

The conference agreement that we are considering today is the final result of very divergent views on changing our method of income-tax collections. We have been traveling in the same rut for so long that it is very difficult to open up a new trail. Those of us who have been working hard to secure early approval of this legislation fully realize its problems and complexities.

There is no doubt in my mind but what the pending conference agreement will call for future revision. It is on that basis that I am giving my consent and approval to it today.

I realize the great burden that is being placed on employers for the collection of this tax. If it were not for the fact that our Nation is at war and that our personal income taxpayers have increased in number from 3,900,000 in 1940 to 44,000,000 in 1943 I would not have encouraged the enactment of this type of legislation. I do feel, however, that it is just as essential to make improvements in the collection of our income tax as it is to change rates and exemptions according to the national income and need for revenue.

When the present bill becomes a law it will completely change the method of income tax collections that has been largely in effect since 1914. It is a forward step and one that I believe must be taken. It had been my hope that Congress would approve legislation that would place personal income taxpayers on a fully current basis as of January 1, 1943, with no doubling up. Unfortunately the House did not accept my views and as a result most of our personal income taxpayers will be saddled with a 25 percent increase in their tax. They will not become current until they have paid the 25 percent increase which will be due at the rate of 12½ percent on March 15, 1944, and 12½ percent on March 15, 1945. It had been my hope we could make this transition from the present year-behind collection system to a current collection system without using the bill as a means to increase taxes. While the conference committee did not accept my proposal in whole, they did accept it in principle by the abatement of at least 75 percent of 1 year's liability for all taxpayers.

There has been much contention about the abatement or forgiveness of taxes. The word forgiveness was a cleverly coined word used to defeat pay-as-you-go tax legislation. Everyone who is familiar with taxes and studies this proposal knows there is no forgiveness of individual income taxes until the taxpayer's income declines or ceases. It is my contention that an individual's income tax should be reduced when his income declines. It is more evident that we should not collect income taxes for the preceding year from an individual after his death. The purpose of the legislation under discussion is to remove the income tax debt liability and place our income taxpayers on a current basis.

It is with some regret that I find the provision of the conference report requiring the 1943 tax to be based on the higher income of the 2 years 1942 or 1943 is not limited to those with incomes over \$5,000, as provided in my bill. It is my thought that all taxpayers whose income is less than \$5,000 should not have to pay on the higher income of the 2 years, but on their current 1943 liability. This was one provision of my bill that would have been of great benefit to men in the service, farmers, small businessmen, and laboring people.

The present bill by requiring the taxpayer to pay his income on the higher of 1942 or 1943 income will work a real hardship on a large number of our citizens whose income will be greatly reduced in 1943 through no fault of their own. It will be a real hardship on those farmers who reside in the flood-stricken areas of the central United States. This situation will be equally true for farmers living in areas where last year they produced the first paying crop in years and this year, because of the elements, may produce a very small crop. It will also mean a real problem for the thousands of small businessmen who had a small income in 1942 but are gradually being forced out of business in 1943. Not only will these taxpayers whose income was

greatly reduced have to pay the tax on the higher year, they will in addition thereto have to pay an increase of 25 percent of the tax for the lower year spread over the 2-year period.

When this bill becomes a law the day of levying personal income taxes retroactively will be passed. No more will Congress be criticized for approving income-tax legislation retroactively to January 1 after 9 or 10 months of the year have gone by. This was the situation we found ourselves in following enactment of the 1942 Revenue Act. It was not only unfair to the individual taxpayers, but it is an out-dated manner of levying taxes.

When our individual taxpayers are on a current basis Congress can enact tax legislation changing the exemptions or rates and place them into effect with a minimum of disturbance to the taxpayer. His taxes will be paid out of current income on the basis of the income he receives, not out of current income on the basis of last year's tax liability. This feature alone is highly desirable in our income-tax law and should meet the approval of Congress and the taxpayer. As I stated earlier in my remarks, I am confident there will be many inequalities and many hardship cases develop under existing legislation.

As one Member of this Congress I want to assure the American people that when these inequities arise that it will be my desire to assist in correcting them as far as practicable and necessary in future tax legislation.

ANTIWINDFALL PROVISIONS

The conference agreement adopts the principle of the two antiwindfall provisions which were contained in my bill, but with certain modifications.

The first antiwindfall provision of my bill would have required taxpayers with over \$5,000 taxable income in 1942 to pay a 1943 tax based on the higher income of the 2 years, and the tax for the lower of the 2 years would have been abated. Under the conference agreement, this provision is made applicable to all taxpayers, regardless of the size of the income, except that there are special provisions in the case of servicemen, which I will explain later. In other words, if the conference report is adopted, all taxpayers will pay a 1943 tax based on the higher of the 2 years, 1942 or 1943, and the 75 percent abatement will apply to the lower of the 2 years.

For example, if a man's tax for 1942 was \$100, and his tax for 1943 was \$200, this provision would not apply. He would simply be forgiven \$75 of his 1942 tax, and the remaining \$25 would be carried forward and paid in addition to current taxes, one-half being due and payable March 15, 1944, and one-half March 15, 1945.

On the other hand, if his tax liability for 1942 was \$200, and his tax on 1943 income was \$100, the final 1943 tax would be based on the higher 1942 liability. What actually happens is that the 1943 tax of \$100 is increased by the difference between it and the higher 1942 tax, which means that there would be an additional liability of \$100, making a total tax for 1943 of \$200 instead of \$100. The result is substantially the same as tax-

ing 1942 income instead of 1943 income.

The 75 percent abatement then applies to the lower tax year, 1943, and the 25 percent carry-over is based on the 1943 tax before being increased because of the higher 1942 liability. In other words, the carry-over is 25 percent of \$100, not of \$200. The unabated \$25 would be payable one-half on March 15, 1944, and one-half March 15, 1945.

An exception to this rule requiring the 1943 tax to be based on the higher income of the 2 years, 1942 and 1943, is made in the case of persons in the armed service. There will be no addition to their 1943 tax because of having a higher income in 1942, insofar as the 1942 income was earned income not in excess of \$14,000. In other words, if a soldier had a \$3,000 civilian salary in 1942, and \$300 Army pay in 1943, his 1943 tax liability would be based solely on his service income, and on that amount there would of course be no tax in view of the liberal exemption for members of the armed forces. In effect, the 1942 tax liability would be completely wiped out in his case. The 75-percent abatement provision would apply to the lower income of the 2 years, which means that the 25-percent carry-over would be based on the 1943 tax, which would be zero, since in the case cited there would be no 1943 liability. As a practical matter, this relief provision for members of the armed forces will result in the abatement of 100 percent of their 1942 liability in all cases where the income was earned income not in excess of \$14,000.

The second antiwindfall provision of the conference agreement is also based in principle upon the similar provision of my bill, but again substantial modifications have been made. This second antiwindfall provision is designed to prevent the 75 percent abatement provision from applying to that portion of the income of the abated year which represents swollen war profits. In other words, the intention is to limit the abatement to normal income.

Under my substitute proposal as amended on the House floor, the income of the abated year was compared with the base year 1940, and if it exceeded the base year's income by more than \$5,000 the excess was subjected to the regular normal and surtax rates. In other words, the 1940 income, plus \$5,000, was used as a yardstick in measuring the extent of the swollen war income in the year which would otherwise be abated. Such war profits were taxed in full, and the abatement thus limited to the normal portion of the income.

Under the conference agreement, a somewhat different method of taxing the war profit windfall is used. In the first place, instead of using the year 1940 as the base year, the conference report permits taxpayers to use the highest year of the years 1937, 1938, 1939, or 1940. Secondly, the conference agreement allows an increase of up to \$20,000, instead of \$5,000, before the windfall tax applies. In the third place, the conference agreement, instead of setting off the income in the base year against the income in the abated year to measure the windfall, sets off a hypothetical tax

on the total of the base year's income plus \$20,000 against 75 percent of the tax of the abated year. In other words, it compares tax with tax, instead of income with income. In some cases this method may have the effect of subjecting the so-called windfall to a higher rate of tax than under the method provided in my bill, but this is somewhat offset by adding \$20,000 to the base year's income instead of only \$5,000.

The second antiwindfall provision of the conference agreement would work out in this fashion: Assume that the taxpayer had an income of \$1,000,000 in 1943, \$500,000 in 1942, and \$80,000 in the highest base year. On his 1943 income he would pay a tax, including net Victory tax, of approximately \$900,000. His 1942 liability, based on the \$500,000 income, was approximately \$400,000, and being the lower of the 2 years, the 75-percent abatement would apply to this amount. Twenty-five percent of the \$400,000 tax, or \$100,000, would be carried forward and collected, in addition to current taxes. One half, or \$50,000, would be payable March 15, 1944, and the remainder March 15, 1945. The 75-percent abatement, amounting to \$300,000, is then compared with a hypothetical tax, computed at 1942 rates, on the base year's income of \$30,000, plus \$20,000, making a total of \$100,000. The hypothetical tax on this amount would be approximately \$64,000. This is the norm, or yardstick, to be used in measuring the amount of so-called windfall in the 75-percent abatement, and represents the tax on normal profits. The excess of the 75-percent abatement of \$300,000 over this \$64,000 is the amount of the windfall tax. Thus, the abatement would be limited to \$64,000 instead of \$300,000, and the \$236,000 difference would be regarded as a windfall, and would be collected as a windfall tax. It may be paid in four installments, commencing March 15, 1945, with interest at 4 percent.

(Mr. CARLSON of Kansas asked and was given permission to revise and extend his own remarks.)

Mr. KNUTSON. Mr. Speaker, I yield such time as he may desire to the gentleman from New Jersey [Mr. POWERS].

Mr. POWERS. Mr. Speaker, I wish to address a question to the chairman of the Committee on Ways and Means or to any member of that committee who may be able to answer it: Under this conference report what happens to a man who has gone into the service? Let us assume his income in 1942 was \$20,000 but that he is now in the service at \$50 a month: Is he forgiven the tax on the lesser of the 2 years or just what happens to him and how are you providing for a solution of his tax problem?

Mr. DOUGHTON. He is forgiven the tax on the greater of the 2 years to the extent that the tax on that year's income is attributable to earned income.

Mr. POWERS. In other words, if he is making \$50 a month, does he have to pay a tax on what he earned in 1942?

Mr. DOUGHTON. He is forgiven all of that part of his tax for 1942 attributable to earned income.

Mr. POWERS. Are we to understand that if he in 1942 had a tax of \$1,000 to pay, but that in 1943 he made only \$50 a month, he would be paying out more than he made?

Mr. DOUGHTON. He would not have to pay the \$1,000 if the income on which the tax was levied was earned income.

Mr. POWERS. In other words, under this bill he would be paying more tax in 1943 than his total earnings.

Mr. DOUGHTON. No; nothing like that.

Mr. POWERS. If a man made \$20,000 in 1942 and made \$600 in 1943 he would be paying more tax in 1943 than the money he made.

Mr. DOUGHTON. His 1942 tax would be forgiven to the extent it resulted from earned income. If his income for 1943 was only \$600, he would probably have no tax to pay.

Mr. KNUTSON. Mr. Speaker, I yield such time as he may desire to the gentleman from Kansas [Mr. REES].

Mr. REES of Kansas. Mr. Speaker, this bill does not suit me. It contains too much forgiveness and abatement in the higher incomes to suit me. I do feel the taxpayers of this country should be permitted to go on a current basis if they want to do so.

I am supporting the conference report because of the assurance of the committee that this legislation will provide additional revenue for the year to the extent of between three and four billion dollars and the further assurance that large profits created by reason of war contracts will not escape taxation and that such profits are protected by the windfall provisions of the bill.

I have always held to the opinion, as I do now, that this is not a time when taxes, especially on larger incomes, should be forgiven, reduced, or abated. It ought to be clearly understood that this is not a tax bill and that the primary reason for such legislation is to permit taxpayers to go on a current or pay-as-you-go plan or basis. In fact, that is the only real excuse for its consideration. I think it is extremely unfortunate that the great Ways and Means Committee of the House should have been required to spend so much of its time and energy in giving consideration to the matter of pay-as-you-go legislation instead of giving consideration to the question of meeting the ever-increasing obligations of our Government created by the war effort.

According to figures that have been submitted, we are going to spend about \$80,000,000,000 this year and \$144,000,000,000 next year. Under present circumstances our legislation will provide for raising about one-third of the amount we are spending. Somehow, somewhere, consideration is going to have to be given pretty soon to the problem of meeting the payment of at least a greater portion of this mounting debt. So I say the question of more importance in my judgment is the problem of raising further revenue to meet the obligations that are being created every day. The average American citizen has just about as much tax burden as he can carry, and the question of finding a new

source of taxation is going to be a more difficult problem for this Congress than any Congress has had to meet in our history. Nevertheless, the Ways and Means Committee has the responsibility of presenting a plan as to how this dilemma is to be solved. This is a responsibility the Ways and Means Committee and this Congress must assume in the very near future.

(Mr. REES of Kansas asked and was given permission to revise and extend his own remarks.)

Mr. KNUTSON. Mr. Speaker, I yield the balance of my time to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Speaker, it is a very unfortunate situation that confronts us today. We do not have enough time to give this important matter proper consideration. The rules controlling conferences and the reports of conferees do not admit of proper consideration and I am in favor of amending them. I think they should be amended, and I have openly favored this for years. Here we come in today about to finish up an important matter that we have worked on for months and a matter that the country has been thinking about for months. Groups in the country have been tremendously interested in it for months; yet we are called upon to dispose of it finally in 1 short hour—30 minutes on each side. In the case before us no speaker has an adequate chance to explain the differences that the conference committee has made in these bills. As you probably realize, a conference committee has wide latitude. The fact of the matter is, as I have already stated, the conference committee has too much latitude, I think. As you know, the House passed a new bill, the Senate passed a different bill; the conference committee considers both bills and it brings out a bill that is different from either. It is a situation that ought to be remedied, but I do not know how we can do it. There is not much we can do about it today. We must act on what is before us.

Let us consider for a minute the parliamentary situation that we are going to find facing us in a few minutes. We are going to be called upon to vote. Can what? We are going to vote on whether or not you shall accept this conference report. Suppose you do not accept it? What will be the result? Or, let me put it the other way: Suppose you do accept it. If you accept it by a majority vote, then we are through with this troublesome question. We shall have passed it, and it then goes to the Senate and, when it is considered and if they pass it, will then be up to the White House. What the President may do with it I cannot say and have not the temerity or, some might think, the audacity to even prophesy. But something is going to be done. If we do not vote for it, if we vote it down, we shall find ourselves exactly where we started with this difference: Somebody can make a motion to recede and concur or somebody can make a motion to instruct the conferees and send this conference report back with instructions.

What good will that do? The country is demanding action. In fact, the coun-

try is tired of our failure to function. Mr. Speaker, it would appear to me that the only thing that we can do, the only sensible thing we can do, is to adopt this conference report.

What is the matter with the conference report? One of the Members, speaking briefly this afternoon, said, "It is the Ruml plan over and over," and he is against the conference report, because he thinks it is the Ruml plan. Another favors it because he thinks it is not the Ruml plan. It is not the Ruml plan at all, and it cannot be truthfully said that it is the Ruml plan. The only feature of it that is a part of the original Ruml plan is the withholding at the source feature. Let us see what kind of a plan it is. What does it do? Let us just consider it fairly and lay aside any political considerations. Let us see what it does and determine whether or not it is a rich man's bill, as has been suggested.

Here is the first important feature: It provides that the taxpayer must pay on whichever is the larger, the 1942 or 1943 income. He has got to pay on the larger one of those 2 years, and that will be, in most cases, 1943, but if 1942 is larger he will be compelled to take 1942. Everybody gets the same consideration. There is no preference to the rich man as against the poor man there.

Let us take the next step. The next step is absolutely a step for the poor man. Let me figure with you for just a minute. Every man whose tax is less than \$50 is forgiven his 1942 tax. Of course he pays his 1943 tax. We are all going to pay our 1943 tax if our 1943 income is higher than our 1942 income. If 1943 is lower, then the contrary, if we elect to do so. But assuming we are going to pay 1943, let us then consider how much of the 1942 tax will be forgiven.

When a taxpayer's tax is found to be \$50 or lower, it is forgiven him entirely. He, therefore, gets a 100-percent reduction. That is fair to everybody in that group. There is no grab about that. Everybody gets the same treatment.

Now, suppose his tax is more than \$50. Then he gets a reduction of 75 percent, and that applies to everybody from the \$50 man up to the million-dollar man. They all get a 75-percent reduction. How did that come into this conference report? It came into it because the Democratic Senators in conference from the beginning steadfastly maintained that they must have a law that will play straight across the board, a 75-percent reduction to everybody straight across the board. And I want to appeal to you on the Democratic side as to whether that has not an appeal as being fair. It is a total 100-percent reduction to the man with a tax under \$50 and a 75-percent reduction to everybody above that.

But, Mr. Speaker, there is another provision in this bill that stops the rich man. What is it? It is the windfall provision. Nobody has discussed that with you yet this afternoon.

What is the windfall provision? Let us suppose a man makes a million dollars in 1943 and makes a half-million dollars in 1942. He must pay 1943 in full. He is entitled to a 75 percent forgiveness

across the board as all other taxpayers but he does not actually get all that 75-percent reduction. He is subjected to a windfall tax if in fact he has had a windfall. This is determined by searching his income for the years 1937, 1938, 1939, and 1940. If it appears that his income in the highest of these 4 years, plus \$20,000, is less than the forgiven portion of his 1942 income, he must pay a windfall tax. For instance, suppose in the above case that man who had an income of \$1,000,000 in 1943 and \$500,000 in 1942, only had an income of \$50,000 in 1937, 1938, and 1939 and an income of \$75,000 in 1940 there would be a wide margin of about many thousands of dollars between his 1940 income and his 1942 income which would be subject to the regular income tax. I cannot here give you the details of this set-up, but it is sufficient to say that the windfall taxes will bring many millions of additional taxes into the Treasury and that these millions will all come from the rich or heavy incomes.

Now, here we are. We take the little man and we give him a \$50 credit and we take the big man and every other man and we give him 75 percent but if he made a large amount of profit in 1942 he has to pay on that inordinate income.

Mr. DINGELL. Will the gentleman yield?

Mr. JENKINS. The gentleman cannot dispute that. No; I cannot yield, as my time is very limited.

Mr. DINGELL. No, he pays it over 2 years.

Mr. FORAND. Will the gentleman yield? I dispute what the gentleman says.

Mr. JENKINS. I did not yield to the gentleman. The gentleman from Massachusetts a few moments ago said this bill was the same as the Ruml plan. Why should I yield to the gentleman to make a statement such as that when the gentleman knows that is not true.

Mr. FORAND. If the gentleman will give me a chance I will prove it.

Mr. JENKINS. No; the gentleman cannot prove it, and why persist in making such an unfounded claim? If he can prove it, he should do so in his own remarks.

Mr. Speaker, I am not entirely pleased with this report. I never was very much for the original Ruml plan. In fact the original Ruml plan was never considered on the floor of the House for his plan was not in legislative form. I favored the Carlson plan, which took some of the basic Ruml ideas and built up a very complete plan; the people were for the Carlson plan and I favored it. I have never been very much for a withholding tax that only withholds from certain groups. I am not in favor of a withholding tax that withholds from the working man unless we make it current and forgive him a portion if not all of the 1942 tax. To withhold and double up taxes at the same time is too much of a burden to the working man and to almost all of our other classes of citizens.

The SPEAKER. The time of the gentleman has expired.

(Mr. DOUGHTON asked and was given permission to extend his remarks in the RECORD.)

Mr. DOUGHTON. Mr. Speaker, I yield the remaining time to the gentleman from Virginia [Mr. ROBERTSON].

(Mr. ROBERTSON asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. ROBERTSON. Mr. Speaker, the conference report on which we will vote today fully meets every dictionary definition of the term "compromise." According to the dictionary, a compromise is "a settlement by which each party concedes or gives up something"; or it is "a combination of two opposite systems, made by sacrifice on the part of each." It necessarily follows that no compromise is ever fully satisfactory to any of the conflicting parties. The most that can usually be said of a compromise is that the compromise settlement is better than no settlement at all. And that is the most I can say in favor of this conference report.

When the tax bill was sent to conference and the Speaker had named the managers on the part of the House, and the President of the Senate those on the part of the Senate, I fully realized that in that entire body of 14 legislators there was not a single one who had previously said the bill passed by the House was his first choice. On the part of the Senate conferees there was only one who was even willing to accept the House bill. However, every Democrat of the House conferees loyally voted for the House bill on the three or four occasions it was offered in conference.

With a full realization of the problem confronting the House conferees and feeling that a compromise would be better than no bill at all, I addressed the following letter to the gentleman from North Carolina, Chairman DOUGHTON, on the day before the conferees met:

DEAR MR. CHAIRMAN: I send this letter to confirm what I have personally told you, namely, that I intend to support the conference report you bring back to the House on the pending tax bill. I am far more interested in seeing collection at the source of at least the basic tax liability commenced by July 1 than I am in seeing the forgiveness plan suggested by me written into law.

The withholding plan in the Senate bill is an improvement over that in the House plan and, therefore, I hope that will be adopted. In the House on yesterday I gave some of the reasons why I did not think the forgiveness plan of the Senate bill should be adopted. However, I am convinced that no conference report that does not provide some method of making a substantial number of taxpayers current within a reasonable time will be adopted by either the House or Senate. A program to make taxpayers current will not reach the desired goal if postponed until after the war. We naturally hope the war will not last more than 2 years longer.

On numerous occasions, in the committee and elsewhere, I have expressed the view that while increases in income taxes were unavoidable I did not think those increases should be made retroactive. That was my principal objection to all plans requiring a doubling up since one-half of the current calendar year will be gone before the new bill can become effective. One virtue of the bill passed by the House was that it required no doubling up, leaving open the question of increased rates for a subsequent bill to be applied to 1944 income. The House bill automatically makes 90 percent of the taxpayers

current in 1943 and to all intent and purposes 96 percent, as the maximum increase on the net income of \$5,000 of a married man with no dependents would be only 1.1 percent. Three hundred and thirteen Members of the House have voted for that plan and 27 Members of the Senate. There were 4 Members of the Senate paired for it.

There are two valid objections to the House bill. First, it forgives, after making allowance for the abatement of taxes to those in military service, something over \$7,000,000,000 of 1942 liability, but the alternative to that, if we are to make taxpayers current, is a doubling up that amounts to a retroactive increase in rates. The second objection is that from a dollar standpoint it confers a greater benefit upon 90 percent of the taxpayers than upon the remaining 10 percent. The alternative to that is to confer a greater benefit in dollars upon the 10 percent than upon the remaining 90 percent. The alleged inequalities of treatment in the House bill is the lesser of the two inequalities. The President will accept the House bill and he may not accept the Senate bill. The House bill will be acceptable to 96 percent of the taxpayers. The percentage of opposition in the Senate to the Senate bill was greater than the percentage of opposition in the House to the House bill.

A conference report differing from any plan heretofore proposed is apt to engender considerable debate in both House and Senate. But, as I first indicated, you can count on my support of the conference action.

I quote this letter at this time for two reasons: In the first place, I wish the official record to show I have never wavered in the personal belief that the plan I first proposed to the Ways and Means Committee and which was finally adopted by the House was the best solution of a difficult problem. Secondly, I quote it to indicate my previous promise to accept the conference report made at a time when I did not know what the report would be. When I make a promise I carry it out when it is in my power to do so.

No one realized better than the distinguished chairman of the Ways and Means Committee that in breaking the deadlock and making a tax bill possible he was agreeing to a compromise of "two opposite systems, made by sacrifice on the part of each." He sacrifices his opposition to the windfalls inherent in the Ruml plan because this conference report retains about 75 percent of them, in return for the inauguration by July 1 of collection of the basic tax liability against wages and salaries at the source, and for the advantages to accrue from speeding up for the fiscal year of 1944 the collection of income-tax liability by the sum of between two and three billion dollars. It was not an easy decision for him to make, but in making it he was 100 percent sincere in the belief that the action then taken was for the best interests of the country. I predict that when the roll is called on this conference report a majority on both sides of the aisle will not only pay tribute to that sincerity, but likewise to the wisdom of the decision made.

In voting for the conference report I will at least have the personal satisfaction that the 20-percent-withholding plan I proposed to the Ways and Means Committee will be written into law, and likewise that the supporters of the Ruml plan in both House and Senate were

forced to make major concessions on the subject of windfalls by reason of the fight made in the House to limit the waiver of 1942 tax liability to the corresponding number of tax units to be collected at the source.

The SPEAKER. The time of the gentleman has expired.

The question is on agreeing to the conference report.

The question was taken; and the Speaker being in doubt, the House proceeded to divide.

Mr. RANKIN. Mr. Speaker, I demand the yeas and nays.

Mr. MARTIN of Massachusetts. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MARTIN of Massachusetts. Is the gentleman permitted to ask for the yeas and nays during the time the vote is in progress?

Mr. RANKIN. Yes.

The SPEAKER. The Chair thinks not.

The House divided; and there were—ayes 159, noes 68.

Mr. DINGELL. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 256, nays 114, answered "present" 1, not voting 61, as follows:

[Roll No. 87]

YEAS—256

Allen, La.	Day	Holmes, Mass.
Anderson, Calif.	Dewey	Holmes, Wash.
Anderson,	Dirksen	Horan
N. Mex.	Ditter	Howell
Andresen,	Dondero	Jarman
August H.	Doughton	Jeffrey
Andrews	Douglas	Jenkins
Angell	Drewry	Jennings
Arends	Eaton	Jensen
Arnold	Elliott	Johnson,
Auchincloss	Ellis	Anton J.
Baldwin, Md.	Ellison, Md.	Johnson,
Barrett	Elmer	Calvin D.
Barry	Elston, Ohio	Johnson, Ward
Bates, Ky.	Engel	Jones
Bates, Mass.	Fay	Jonkman
Beall	Fellows	Judd
Bender	Fenton	Kean
Bennett, Mich.	Fish	Kearney
Bennett, Mo.	Fisher	Keefe
Bishop	Fogarty	Kennedy
Blackney	Gallagher	Keogh
Bland	Gamble	Kilday
Bloom	Gathings	Kinzer
Bolton	Gavagan	Kleberg
Boykin	Gavin	Knutson
Bradley, Mich.	Gerlach	LaFollette
Brehm	Gilchrist	Lane
Brooks	Gillette	Lanham
Brown, Ohio	Gillie	Larcade
Buffett	Goodwin	Lea
Bulwinkle	Gordon	LeFevre
Burch, Va.	Graham	Lewis, Ohio
Burchill, N. Y.	Grant, Ind.	Luce
Busbey	Green	Ludlow
Butler	Griffiths	McCormack
Byrne	Gross	McGregor
Canfield	Gwynne	McKenzie
Carlson, Kans.	Hale	McLean
Carlson, Ohio	Hall,	McWilliams
Carter	Edwin Arthur	Maas
Case	Hall,	Madden
Celler	Leonard W.	Magnuson
Chenoweth	Halleck	Maloney
Chipherfield	Hancock	Martin, Iowa
Church	Harness, Ind.	Martin, Mass.
Clason	Harris, Ark.	Mason
Clevenger	Hays	May
Cole, Mo.	Hébert	Merritt
Cole, N. Y.	Heffernan	Michener
Cravens	Hendricks	Miller, Mo.
Cullen	Hess	Miller, Nebr.
Cunningham	Hill	Miller, Pa.
Curley	Hinsshaw	Mills
Curtis	Hoch	Monkiewicz
Davis	Hoeven	Morrison, La.

Mott	Rockwell	Sundstrom
Mruk	Rodgers, Pa.	Taber
Mundt	Rogers, Calif.	Talbot
Murray, Wis.	Rogers, Mass.	Taille
Newsome	Rohrbough	Taylor
Nichols	Rolph	Thomas, N. J.
Norman	Rowan	Thomason
Norton	Rowe	Towe
O'Brien, Ill.	Satterfield	Troutman
O'Hara	Schiffer	Vinson, Ga.
O'Neal	Schuetz	Voorhis, Calif.
O'Toole	Schwabe	Vorys, Ohio
Peterson, Fla.	Shafer	Vursell
Pfeiffer	Sheppard	Wadsworth
Philbin	Short	Walter
Phillips	Simpson, Ill.	Ward
Ploeser	Simpson, Pa.	Weaver
Plumley	Slaughter	Wene
Poulson	Smith, Maine	Wheat
Powers	Smith, Ohio	Whelchel, Ga.
Pracht	Smith, Va.	White
Price	Smith, W. Va.	Wigglesworth
Priest	Smith, Wis.	Willey
Rabaut	Somers, N. Y.	Winter
Ramspeck	Springer	Wolcott
Reece, Tenn.	Stanley	Wolfenden, Pa.
Reed, Ill.	Starnes, Ala.	Wolverton, N. J.
Reed, N. Y.	Stearns, N. H.	Woodruff, Mich.
Rees, Kans.	Stefan	Wright
Rizley	Stevenson	Zimmerman
Robertson	Stockman	
Robson, Ky.	Sullivan	

NAYS—114

Abernethy	Gore	Morrison, N. C.
Andersen,	Gorski	Murdock
H. Carl	Gossett	Murphy
Barden	Gregory	Murray, Tenn.
Beckworth	Hare	Myers
Boren	Harless, Ariz.	Norrell
Bradley, Pa.	Hart	O'Brien, Mich.
Brown, Ga.	Heidinger	O'Connor
Bryson	Hollifield	O'Konski
Buckley	Hull	Outland
Burdick	Izac	Face
Burgin	Jackson	Patman
Camp	Johnson, Ind.	Pattson
Cannon, Mo.	Johnson,	Peterson, Ga.
Clark	J. Leroy	Pittenger
Coffee	Johnson,	Poage
Colmer	Luther A.	Rankin
Cooley	Johnson,	Richards
Cooper	Lyndon B.	Rivers
Cox	Johnson, Okla.	Robinson, Utah
Creal	Kee	Sabath
Crosser	Kefauver	Sasser
D'Alesandro	Kelley	Sauthoff
Dawson	Kirwan	Scanlon
Delaney	Klein	Snyder
Dickstein	Kunkel	Sparkman
Dingell	Lemke	Spence
Disney	Lesinski	Steagall
Durham	Lynch	Stewart
Dworshak	McCord	Sumner, Ill.
Eberhart	McGehee	Tarver
Feighan	McGanery	Vincent, Ky.
Fitzpatrick	McMurray	Wastelewski
Forand	Mahon	Weiss
Ford	Manasco	West
Fulbright	Mansfield,	Whitten
Fulmer	Mont.	Whittington
Furlong	Mansfield, Tex.	Wickersham
Gearhart	Marcantonio	Winstead
Gibson	Monroney	

ANSWERED "PRESENT"—1

Folger

NOT VOTING—61

Allen, Ill.	Granger	O'Leary
Baldwin, N. Y.	Grant, Ala.	Ramey
Bell	Guy	Randolph
Bonner	Hagen	Russell
Cannon, Fla.	Harris, Va.	Sadowski
Capozzoli	Hartley	Scott
Chapman	Herter	Sheridan
Cochran	Hobbs	Sikes
Compton	Hoffman	Sumners, Tex.
Costello	Hope	Thomas, Tex.
Courtney	Kerr	Tibbott
Crawford	Kilburn	Tolan
Culkin	King	Treadway
Dies	Lambertson	Van Zandt
Dilweg	Landis	Welch, Ohio
Domengeaux	LeCompte	Welch
Ellsworth	McCowen	Wilson
Fernandez	McMillan	Woodrum, Va.
Flannagan	Merrow	Worley
Gale	Miller, Conn.	
Gifford	O'Brien, N. Y.	

So the conference report was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Treadway for, with Mr. Miller of Connecticut against.

Mr. Chapman for, with Mr. Sadowski against.

Mr. Harris of Virginia for, with Mr. Bonner against.

Mr. Baldwin of New York for, with Mr. Dilweg against.

Mr. Kerr for, with Mr. Folger against.

Mr. Compton for, with Mr. Flannagan against.

Until further notice:

General pairs:

Mr. Hobbs with Mr. Lambertson.

Mr. Capozzoli with Mr. Ramey.

Mr. King with Mr. McCowen.

Mr. Cochran with Mr. Gifford.

Mr. Woodrum of Virginia with Mr. Ellsworth.

Mr. Russell with Mr. O'Brien of New York.

Mr. Sikes with Mr. Hartley.

Mr. Bell with Mr. Guyer.

Mr. Costello with Mr. Allen of Illinois.

Mr. McMillan with Mr. Wilson.

Mr. Sumners of Texas with Mr. Hope.

Mr. Cannon of Florida with Mr. Culkin.

Mr. Grant of Alabama with Mr. Kilburn.

Mr. Thomas of Texas with Mr. Hoffman.

Mr. Courtney with Mr. Welch.

Mr. Granger with Mr. Herter.

Mr. Tolan with Mr. Landis.

Mr. Sheridan with Mr. Tibbott.

Mr. Fernandez with Mr. LeCompte.

Mr. Worley with Mr. Welch of Ohio.

Mr. Dies with Mr. Scott.

Mr. Domengeaux with Mr. Van Zandt.

Mr. Hagen with Mr. Merrow.

Mr. FOLGER. Mr. Speaker, I have a pair with the gentleman from North Carolina, Mr. KERR, who, if present, would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. HOBBS. Mr. Speaker, I desire to vote "nay."

The SPEAKER. Was the gentleman in the hall and listening, but failed to hear his name called?

Mr. HOBBS. No, Mr. Speaker.

The SPEAKER. The gentleman does not qualify.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Mr. THOMAS of Texas. Mr. Speaker, during the roll call just completed I was called from the floor for only a few minutes by two of my constituents. When I returned I was unable to qualify. Had I been able to qualify I would have voted "aye."

EXTENSION OF REMARKS

Mrs. NORTON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an address by President William Green, of the American Federation of Labor.

The SPEAKER. Is there objection? There was no objection.

[The matter referred to appears in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. COLMER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, and to revise and extend my remarks.



from Nebraska [Mr. WHERRY], and the Senator from Idaho [Mr. THOMAS] are necessarily absent.

The result was announced—yeas 59, nays 23, as follows:

YEAS—59

Alken	Ferguson	Radcliffe
Andrews	George	Reed
Austin	Gillette	Reynolds
Bailey	Cuffey	Russell
Ball	Gurney	Smith
Bankhead	Hatch	Stewart
Barbour	Hawkes	Thomas, Okla.
Bilbo	Hayden	Tobey
Bone	Hill	Truman
Burton	Holman	Tunnell
Byrd	Lodge	Tydings
Capper	Lucas	Vandenberg
Caraway	McFarland	Van Nuys
Chandler	McKellar	Wagner
Chavez	McNary	Wallgren
Clark, Mo.	Maybank	Walsh
Connally	Mead	White
Downey	Murray	Wiley
Eastland	Overton	Wilson
Ellender	Pepper	

NAYS—23

Brewster	Johnson, Colo.	O'Daniel
Brooks	La Follette	O'Mahoney
Bushfield	Langer	Revercomb
Butler	McCarran	Scrugham
Clark, Idaho	Maloney	Shipstead
Danaher	Millikin	Taft
Davis	Moore	Willis
Gerry	Nye	

NOT VOTING—14

Barkley	Johnson, Calif.	Thomas, Idaho
Bridges	Kilgore	Thomas, Utah
Buck	McClellan	Wheeler
Glass	Murdock	Wherry
Green	Robertson	

So the joint resolution (H. J. Res. 111) was passed.

CURRENT PAYMENT OF INDIVIDUAL INCOME TAX—CONFERENCE REPORT

Mr. GEORGE. Mr. President, I submit the conference report on the current tax payment act of 1943, and ask for its immediate consideration.

The PRESIDING OFFICER. The report will be read.

The report was read

(See page 5165 of the CONGRESSIONAL RECORD of Friday, May 28, 1943, for conference report.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. McCARRAN. Mr. President, I take it we are to have an explanation of the conference report.

Mr. GEORGE. Yes. I will offer some explanatory statements.

Mr. President, I shall discuss very briefly the results of the work of the conference committee on the tax bill, and will ask to have inserted at appropriate places certain examples and tables which I think may be helpful to Senators in answering inquiries with respect to the tax bill, and in advising themselves about the details of the conference report.

The main question of difference between the conferees was the treatment of the 1942 liability. We were unable to persuade the House conferees to agree to the Senate bill. Neither could the House conferees persuade us to agree to the House bill. Finally we were able to work out the following compromise, which was agreed to by all the Senate conferees and a majority of the House conferees:

First. If the tax for the lower year 1942 or 1943 was \$50 or less, 100 percent of the tax liability for the lower year is abated.

Second. If the tax for the lower year 1942 or 1943 was between \$50 and \$66.67, a flat \$50 of the tax for the lower year is abated.

Third. If the tax for the lower year 1942 or 1943 was over \$66.67, 75 percent of the tax for the lower year is abated.

The following example will show how the plan is applied:

Tax for 1942	-----	\$100
Tax for 1943	-----	50

The taxpayer will be compelled to pay an amount equal to his tax for 1942, which is \$100. An amount equal to \$50, which is his 1943 tax, will be canceled.

Another example is as follows:

Tax for 1942	-----	\$60
Tax for 1943	-----	100

The taxpayer will have \$50 canceled, and will have to pay in addition to his 1943 liability an additional amount of \$10, making a total payment for 1943 of \$110.

Another example is as follows:

Tax for 1942	-----	\$100
Tax for 1943	-----	300

Tax liability under existing law, amounts forgiven, not forgiven, and total current burden in 1944 and 1945, under bill agreed to by conferees on May 27, 1943; for a married civilian with no dependents¹

Net income before personal exemption	Existing law tax liability ²		Amount forgiven	Amount not forgiven	Total current burden 1944 and 1945 ⁴
	Calendar year 1942	Calendar year 1943 ³			
\$1,200		\$35.47			\$35.47
\$1,500	\$48.00	100.13	\$48.00		100.13
\$1,510.87	50.00	102.74	50.00		102.74
\$1,550	57.20	112.11	50.00	\$7.20	115.71
\$1,600	66.40	124.09	50.00	16.40	132.29
\$1,601.47	66.67	124.44	50.00	16.67	132.78
\$1,800	103.20	172.00	77.40	25.80	184.90
\$2,000	140.00	219.91	105.00	35.00	237.41
\$2,500	232.00	339.69	174.00	58.00	368.69
\$3,200	360.80	507.38	270.60	90.20	552.48
\$3,300	382.20	534.33	286.65	95.55	582.11
\$5,000	746.00	992.58	559.50	186.50	1,085.83
\$10,000	2,152.00	2,676.36	1,614.00	538.00	2,945.36
\$15,000	4,052.00	4,854.13	3,039.00	1,013.00	5,360.63
\$20,000	6,452.00	7,531.91	4,839.00	1,613.00	8,338.41
\$25,000	9,220.00	10,577.69	6,915.00	2,305.00	11,730.19
\$50,000	25,328.00	28,074.58	18,996.00	6,332.00	31,240.58
\$100,000	64,060.00	69,584.36	48,045.00	16,015.00	77,591.86
\$250,000	194,000.00	207,857.69	145,500.00	48,500.00	232,107.69
\$500,000	414,000.00	441,746.58	310,500.00	103,500.00	493,496.58
\$1,000,000	854,000.00	900,000.00	640,500.00	213,500.00	1,006,750.00
\$2,000,000	1,734,000.00	1,800,000.00	1,300,500.00	433,500.00	2,016,750.00
\$5,000,000	4,374,000.00	4,500,000.00	3,280,500.00	1,093,500.00	5,046,750.00

¹ Assumes the taxpayer is not subject to the second antiwindfall provisions (sec. (c)).

² Maximum earned net income assumed.

³ Includes gross Victory tax, computed by assuming that Victory tax net income is 1% of net income shown in stub.

⁴ Assumes income level remains unchanged.

Staff of Joint Committee on Internal Revenue Taxation, May 28, 1943.

Explanation of table: It may be noted in this table that in the case of a constant net income of \$1,500, the entire 1942 liability of \$48 would be forgiven, since it is less than \$50, and the 1944 and 1945 burden would amount to \$100.13, an amount equivalent to the 1943 tax, including gross Victory. At a net income of \$1,510.87, a taxpayer who was married and had no dependents would have a 1942 liability of exactly \$50. This entire \$50 would be forgiven and his 1944 and 1945 burden would be equal to his 1943 tax of \$102.74. The table shows that a person with a net income of \$1,600 would be benefited by the so-called notch provision, which adds to the 1943 tax 25 percent of the lower year tax liability, or the excess of such tax liability over \$50, whichever is lesser. This individual would have a 1942 calendar year tax liability of \$66.40; without the notch pro-

vision he would be required to add 25 percent of \$100 will be canceled, requiring the taxpayer to pay an additional \$25 in addition to his 1943 liability of \$300, making a total payment for 1943 of \$325.

At least one-half of the part of this tax which is not forgiven is payable on March 15, 1944. At the request of the taxpayer, the Commissioner is required to extend the time for the payment of the other half to March 15, 1945. No interest is chargeable during the period of such extension.

I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a burden table showing, for various net incomes from \$1,200 to \$5,000,000, the tax liability under existing law, the amounts forgiven and not forgiven under the conference agreement, and the total current burden in 1944 and 1945, assuming that the income remains unchanged.

In connection with the table, I also ask to have inserted an explanatory statement.

There being no objection, the table and explanatory statement were ordered to be printed in the RECORD, as follows:

First. Under the Senate bill the taxpayer could select either the year 1938, 1939, or 1940 as his base or normal year. The conferees agreed to allow him to select also the year 1937.

Second. Under the Senate bill the tentative tax which could be abated was computed on an amount equal to the surtax net income for the normal year, plus \$10,000. The conferees raised the \$10,000 figure to \$20,000.

Third. The conferees provided a special relief provision for partnerships which were operated as corporations during the base year. In such cases the partner could use as his surtax net income for the base year the earnings of the corporation for the base year to which he would have been entitled had the corporation distributed such earnings as dividends.

The whole purpose of this antiwindfall provision was to limit the amount of tax to be abated to the equivalent of the tax computed on an amount equal to the tax on a normal-year income increased by \$20,000. An example will show how the second windfall provision will apply in the following case:

	Surtax net income	Tax
1942.....	\$100,000	\$64,000
1943.....	250,000	194,000
Base year.....	30,000	
Base year plus \$20,000.....	50,000	26,240

Since 1942 is less than 1943, the second windfall provision will apply to the year 1942. Under the general rule, we would abate 75 percent of the tax for 1942, or \$48,000. However, under the second windfall provision, the amount to be abated cannot exceed a tentative tax on an amount equivalent to the income of the base year plus \$20,000, computed at 1942 rates. The tentative tax in such a case will be \$26,240. Therefore, the effect of this provision is to abate \$26,240 instead of \$48,000, leaving uncanceled \$37,760 of his 1942 liability.

Mr. JOHNSON of Colorado. Mr. President, would the Senator care to yield at this point, or does he wish to finish his explanation?

Mr. GEORGE. I think I had better finish the explanation, and then I shall be glad to return to any point.

Certain technical or administrative changes were made by the conferees. The most important of these are as follows:

First. In the case of a payment of wages by an employer to an employee through an agent, fiduciary, or other person who has also the control, receipt, custody, or disposal of, or pays the wages payable by another employer to such employee, the Commissioner is authorized to require withholding of the tax by such agent.

Second. In order to avoid administrative difficulties and in order to lessen the burden upon the taxpayer, the withholding provisions will not be applicable to wages paid during 1943 with respect to a pay-roll period beginning before July 1, 1943.

Third. The conference agreement extended the system of current payment of

tax not withheld at the source to those nonresident aliens with respect to whose wages withholding at the source is made applicable. Thus, generally speaking, the current tax-payment system will apply to certain nonresident alien individuals, who are residents of a contiguous country and who enter and leave the United States at frequent intervals. Such aliens, with respect to wages received for services performed in this country, are subject to tax in the same manner and to the same extent as citizens of the United States. Since they will be subject to withholding on such wages, failure to include them within the current tax-payment system would cause a considerable doubling up in the payment of their taxes.

Fourth. A provision was added by the conference agreement to require an individual to file a declaration and pay as a part of his estimated tax the amount of his excess 1942 tax liability over his 1943 tax liability, in the case where such individual would otherwise not be required to file a declaration for the taxable year 1943.

With the exceptions noted, the general withholding-at-the-source provisions of the conference report are identical with the provisions which were included in the Senate version and also included in the House language.

TAX RELIEF FOR SERVICEMEN

In opening this discussion of tax relief for servicemen, it should be stated that a serviceman is subject to income tax only upon his base pay, and any additional compensation paid for foreign or special service. Allowances furnished to a serviceman for quarters, subsistence, dependents, and uniforms are not included in gross income for the purpose of individual income tax.

It will be noted that only his base pay and any additional compensation paid for foreign or special service are required to be returned by him for the purpose of his individual income tax.

Both in the Senate bill and in the conference agreement substantial tax relief is extended to servicemen. This relief may be summed up under the following headings:

1. One thousand five hundred dollars exclusion of service pay—

Such exclusion, of course, is available to both married and unmarried servicemen—

2. Special relief from abating the tax for the lesser of the years 1942 or 1943.

3. Special relief for servicemen dying in the service.

Each of these headings will be discussed separately.

1. \$1,500 EXCLUSION OF SERVICE PAY

Under existing law, so much of the base pay as is received while in the armed forces from the United States before the termination of the present war by personnel below the grade of commissioned officer in the military or naval forces of the United States, for active service in such forces during such war as does not exceed \$250 in the case of a single person, or \$300 in the case of a married person, is excluded from gross income. This amounts, in effect, to an exemption of

\$1,500 in the case of a married person and to \$750 in the case of a single person. Both the Senate bill and the conference agreement extended this relief as follows: So much of the compensation as is received by a member of the military or naval forces of the United States for active service in such forces during the present war as does not exceed \$1,500 is excluded from gross income. The conference agreement also extends this provision to citizens or residents of the United States serving in the military or naval forces of any other of the United Nations. Unlike the exclusion of \$300 for married and \$250 for single persons under existing law, this \$1,500 exclusion is allowed to all military personnel, and is not restricted to those below the grade of a commissioned officer. This relief provision is made applicable for taxable year beginning in 1943 and will continue for each subsequent year until the present war is terminated.

The following will show the differences between the exclusion under this bill and the exclusion under existing law:

(a) Married man with no dependents

Present law:	
Personal exemption.....	\$1,200
Exclusion from income (to those under grade of commissioned officer).....	300
Total relief.....	1,500

Conference agreement:	
Personal exemption.....	1,200
Exclusion from income (to all military personnel).....	1,500
Total.....	2,700

(b) Married man with 2 dependents

Present law:	
Personal exemption.....	\$1,200
Exclusion from income (to those under grade of commissioned officer).....	300
Credit for 2 dependents.....	700
Total relief.....	2,200

Conference agreement:	
Personal exemption.....	1,200
Exclusion from income (to all military personnel).....	1,500
Credit for 2 dependents.....	700
Total relief.....	3,400

(c) Single man

Present law:	
Personal exemption.....	\$500
Exclusion from income (to those under grade of commissioned officer).....	250
Total relief.....	750

Conference agreement:	
Personal exemption.....	500
Exclusion from income (to all military personnel).....	1,500
Total relief.....	2,000

2. SPECIAL RELIEF FROM ABATING THE TAX FOR THE LESSER OF THE YEARS 1942 OR 1943

The effect of the conference agreement in abating the tax for the lesser of the year 1942 or 1943 in the case of a civilian is as follows:

First. If the tax for the lower of 1942 or 1943 is \$50 or less, 100 percent of the tax for the lower year is abated.

Second. If the tax for the lower of 1942 or 1943 is between \$50 and \$66.67, a flat \$50 is abated.

Third. If the tax for the lower of 1942 or 1943 is over \$66.67, 75 percent of the tax for the lower year is abated.

It was recognized that this would result in hardship upon a person in the armed services in 1942 or 1943, since the tax for 1943, will, in most cases, be considerably lower than the tax for 1942. In 1943, the income of a great many men in the service is limited to their service pay. Therefore, a special relief provision was adopted to prevent the full tax from being collected for 1942 in the case of such persons.

The effect of the provision is to abate all the 1942 tax which was due to the inclusion of the earned net income in the taxpayer's net income for 1942, if the taxpayer had no 1943 tax to pay. If the taxpayer had a 1943 tax to pay, a part of the 1942 tax would, in effect, be collected by the addition of 25 percent of the tax for 1943, the lesser year, and abating the entire 1942 tax. Earned income is limited to so much of the income from wages, salaries, and other amounts received as compensation for personal services as does not exceed \$14,000. If the taxpayer's net income is not more than \$3,000, his entire net income is considered earned net income and if his net income is more than \$3,000, his earned income is considered to be not less than \$3,000. Earned net income is earned income less deductions properly chargeable against earned income.

The following examples will illustrate the effect of this provision:

In the case of civilians, the amount by which the 1942 tax would exceed the 1943 tax is in effect brought over to 1943 and added to the 1943 tax. For example, if a civilian's tax would be \$200 in 1942 and \$100 in 1943, there would be added to the tax of 1943 of \$100, another \$100 from 1942, making the 1943 tax \$200. In the case of servicemen, the part of 1942 tax which was attributable to earned income would not be brought over and added to the 1943 tax. In the above example, if all of the \$200 1942 tax was on account of earned income, none of it would be brought over and added to 1943, so that the 1943 tax would be \$100. However, since only 75 percent of the 1942 tax is forgiven there would be added to the 1943 tax an additional 25 percent of the lesser of 1942 or 1943. So that in the example for the civilian there is added to 1943, 25 percent of 1943, which is the lesser year, or \$25, making the total 1943 civilian tax \$225, while for servicemen there will be added 25 percent of 1943, or \$25, to his 1943 tax of \$100, making his total 1943 tax \$125.

Mr. President, I now set out examples, with explanatory notes showing just how the tax will apply to servicemen:

EXAMPLE I. ALL EARNED INCOME IN 1942 AND NO TAX PAYABLE FOR 1943

Assume a married man with a net income of \$10,000, derived entirely from salary, who was liable for 1942 tax of \$2,152, and that he entered the service in 1943. Assume he owes no tax for the year 1943. The effect of this relief provision is to cancel his entire 1942 tax of \$2,152.

EXAMPLE II. ALL EARNED INCOME IN 1942 AND TAX PAYABLE FOR 1943

Assume the same situation as to 1942 and a tax of \$600 for 1943. All of the 1942 tax of \$2,152 will be canceled. To the 1943 tax of \$600 will be added 25 percent of the lesser year, which is 1943, or \$150, making the total 1943 tax \$750. However, this additional 25 percent is payable \$75 on March 15, 1944, and \$75, March 15, 1945. Moreover, under a provision of existing law the payment of this additional amount, as well as the 1943 tax, can be postponed by the Commissioner until 90 days after the termination of the present war.

EXAMPLE III. PARTLY EARNED AND PARTLY UNEARNED INCOME

Assume that a married man entered the service in 1943 and that his tax situation for 1942 and 1943, under existing law, is as follows:

Year	Net income	Earned net income	Tax
1942.....	\$20,000	\$10,000	\$6,452
1943.....	0	0	0

Under the conference agreement, because he was in the armed service the amount of tax for 1942 to be added to his tax for 1943 is \$2,152, as shown by the following computation:

(1) Excess of 1942 tax over 1943 tax.....	\$6,452
(2) Increase in 1942 tax due to earned income.....	4,300
(3) Amount of 1942 tax to be added to 1943 tax.....	2,152
(4) 1943 tax.....	2,152

Since the serviceman owes no tax for 1943, the only amount payable as his 1943 tax is the carry-over of \$2,152. The amount of \$2,152 would, therefore, become the estimated tax for 1943, and when declaring this amount in the return to be filed September 15, 1943, the serv-

iceman would take credit for whatever amount he had paid on his 1942 taxes in March and June 1943. His payments through June 30 would amount to at least \$3,226. This taxpayer would, therefore, have no additional payments to make in September and December 1943, and would later receive either a credit or a refund amounting to at least \$1,074. It will be seen that this relief provision has reduced this taxpayer's 1942 tax liability from \$6,452 to \$2,152, a reduction of \$4,300.

The table and explanatory statement are as follows:

If this serviceman had a tax for 1943 of \$746, his tax for 1943 would be less than the tax for the year 1942. Accordingly, the 1942 tax will be abated and the 1943 tax will be increased by the sum of (1) the 1942 carry-over tax of \$1,406, and (2) 25 percent of the 1943 tax, or \$186.50. His total 1943 tax will, therefore, amount to \$2,338.50 as shown by the following computation:

(1) 1942 tax.....	\$6,452.00
(2) 1943 tax.....	746.00
(3) Excess of 1942 tax over 1943 tax.....	5,706.00
(4) Increase in 1942 tax due to earned income.....	4,300.00
(5) Amount of 1942 tax to be added to 1943 tax (3) minus (4).....	1,406.00
(6) 25 percent of 1943 tax.....	186.50
(7) Total 1943 tax (2) plus (5) plus (6).....	2,338.50

Mr. President, a table, which I asked to have inserted in the Record at this point illustrates, for specific cases, the special tax relief accorded members of the armed forces as the result of the exclusion of \$1,500 from gross income, and the relief from the antiwindfall provision which requires payment of tax on the higher year, 1942 or 1943. I also ask that the explanatory statement attached to the table be printed.

Examples illustrating special treatment accorded members of armed forces (special exclusion and relief from antiwindfall provision) under bill agreed to by conferees on May 27, 1943

[MARRIED PERSON—NO DEPENDENTS]

Type of taxpayer	Gross income ¹		Tax liability under existing law		Amount not forgiven	Amount forgiven	Total current burden ²	
	1942	1943	1942	1943 ³			1943	1944 or 1945 ⁴
Civilian.....	\$2,500	\$600	\$186.00	-----	-----	\$186.00	\$186.00	-----
Soldier ⁵	2,500	600	186.00	-----	\$186.00	-----	-----	-----
Do ⁶	2,500	600	186.00	-----	186.00	-----	-----	-----
Civilian.....	5,000	600	639.00	-----	-----	639.00	639.00	-----
Soldier ⁵	5,000	600	639.00	-----	639.00	-----	-----	-----
Do ⁶	5,000	600	639.00	-----	639.00	-----	-----	-----
Civilian.....	5,000	3,200	639.00	\$430.72	323.04	746.68	639.00	\$692.84
Soldier ⁵	5,000	3,200	639.00	107.32	612.17	134.15	107.32	120.74
Do ⁶	5,000	3,200	639.00	430.72	531.32	538.40	430.72	161.16
Civilian.....	10,000	3,200	1,826.00	430.72	323.04	1,933.68	1,826.00	484.56
Soldier ⁵	10,000	3,200	1,826.00	107.32	1,799.17	134.15	107.32	120.74
Do ⁶	10,000	3,200	1,826.00	430.72	1,718.32	538.40	430.72	161.16
Civilian.....	20,000	4,000	5,448.00	615.20	461.40	5,601.80	5,448.00	692.10
Soldier ⁵	20,000	4,000	5,448.00	279.80	5,378.05	349.75	279.80	314.78
Do ⁶	20,000	4,000	5,448.00	615.20	5,294.20	769.00	615.20	356.70
Civilian.....	1,800	3,200	70.08	430.72	52.56	448.24	430.72	439.48
Soldier ⁵	1,800	3,200	70.08	107.32	52.56	124.84	107.32	116.03
Do ⁶	1,800	3,200	70.08	430.72	52.56	448.24	430.72	116.03

¹ In the case of soldiers, the 1943 gross income shown is before special exclusion; maximum earned income assumed.

² Includes gross Victory tax.

³ Assumes income remains unchanged and payment for second half of additional 25 percent is extended.

⁴ Assumes soldier entered armed forces Jan. 1, 1943 (\$1,500 exclusion applies to 1943 income).

⁵ Assumes soldier entered armed forces Dec. 31, 1943 (\$1,500 exclusion does not apply to 1943 income).

NOTE.—In computing tax liability deductions are assumed to be 10 percent of gross income.

Staff of Joint Committee on Internal Revenue Taxation, May 31, 1943.

Explanation of table: The tax liability under existing law, the amount forgiven, the amount not forgiven, and the total current burden is shown in this table for civilians, for soldiers who entered the armed forces on January 1, 1943, and therefore, would receive the benefit of the \$1,500 exclusion with respect to 1943 income, and for soldiers who entered the armed forces on December 31, 1943, and therefore would not receive the benefit of the \$1,500 exclusion with respect to 1943 income. It is assumed the person is married and has no dependents.

It will be noted that where the gross income is \$50 a month in 1943, of \$600 for the year, resulting in no 1943 tax liability for either civilian or soldier, and the 1942 income was high enough to result in some tax liability, the civilian in effect is forgiven nothing, and must pay his 1942 tax in full in 1943, while the soldier is forgiven his entire 1942 tax and is required to pay nothing in 1943, or in subsequent years so long as he is in active service in the war and his income remains unchanged.

In the case of gross incomes of \$5,000 in 1942 and \$3,200 in 1943, a civilian would be forgiven \$323.04, would be required to pay \$639 in 1943, and \$692.84 in 1944 and 1945, if his income remained unchanged. A soldier who entered the armed forces January 1, 1943, and who had the same gross incomes as the civilian would be forgiven \$612.17, would be required to pay only \$107.32 in 1943 and \$120.74 in 1944 and 1945. A soldier who entered the armed services on December 31, 1943, and who had the same gross incomes would be forgiven \$531.32, would be required to pay \$430.72 in 1943 and \$161.16 in 1944 and 1945.

In the case of gross incomes of \$10,000 in 1942, and \$3,200 in 1943, the soldier who entered the armed forces on January 1, 1943, would be forgiven \$1,476.13 more than the civilian, and the soldier who entered the armed forces on December 31, 1943, would be forgiven \$1,395.28 more than the civilian.

3. SPECIAL RELIEF FOR SERVICEMEN DYING IN THE SERVICE

Finally, Mr. President, under the conference bill certain special relief for servicemen dying in the service is provided and the provisions of the conference bill should be here noted.

Under the conference agreement, any individual who dies on or after December 7, 1941, while in the active service as a member of the military or naval forces of the United States, or of the United Nations, and prior to the termination of the present war, is relieved of any income tax (including interest, additions to the tax, and additional amounts) which were unpaid at the date of his death. If such unpaid amounts are collected after the date of his death, they will be refunded. This provision is designed to protect the widow and other survivors of a deceased serviceman from being forced to deplete the estate of the deceased serviceman by income taxes which he owed at the time of his death. It was thought that since the serviceman had given his life for his country, his widow or other survivors should not be subjected to the payment of income tax which the serviceman owed at the time of his death. This provision is less complicated than the Senate provision under which the relief was limited to earned income of not more than \$14,000 and to taxes which in general were due after the person entered the service. We were forced to yield in favor of the House provision, but the conference extended this relief to a person dying in

the active armed service of any other of the United Nations.

REVENUE EFFECTS

Mr. President, the immediate effect of the conference bill will be to increase the Federal individual income-tax revenue in the fiscal year 1944 by about \$3,014,000,000, or to \$16,014,000,000. It makes the transition to a system of current payment by discharging approximately \$6,511,000,000, which is equivalent to about 66 percent of the 1942 income-tax liability of individuals. It reduces taxes about \$759,000,000 through the special treatment accorded the armed forces. The net effect, therefore, is to carry over to be collected in 1943 and subsequent years about \$2,545,000,000, as compared with the 1942 liability of \$9,-

815,000,000. The bill agreed to in conference will bring in during the fiscal year 1944 about \$2,991,000,000 more revenue than the House bill and about \$1,102,000,000 more than the Senate bill. In addition, the new system of collection will increase the revenues by reaching more completely the income subject to tax not reached under the existing method of collection. There are many other benefits, both to the Government and the taxpayers, which cannot be evaluated in terms of dollars and cents. The effect on the revenues is shown by the table which I ask to have inserted in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Comparative amounts of tax liability canceled, not canceled, and due in the fiscal year 1944, under the conference agreement, the Senate bill, the House bill, and present law

(In millions of dollars)

Item	Conference agreement	Senate bill	House bill	Present law	Increase (+) or decrease (-) conference agreement over—		
					Senate bill	House bill	Present law
Tax liability canceled:							
Amount.....	6,511	8,515	7,602	-----	-2,004	-1,091	+6,511
Percentage of 1942 liability.....	66.3	86.8	77.5	-----	-20.5	-11.2	+66.3
Tax liability not canceled:							
Amount.....	3,304	1,300	2,213	9,815	+2,004	+1,091	-6,511
Percentage of 1942 liability.....	33.7	13.2	22.5	100.0	+20.5	+11.2	-66.3
Tax liability due in fiscal year 1944.....	16,014	14,912	13,023	13,000	+1,102	+2,991	+3,014

Source: Staff of Joint Committee on Internal Revenue Taxation, June 1, 1943.

Mr. GEORGE. Mr. President, that is all I have to say with reference to the conference report, and when the examples and tables inserted in the RECORD are examined, I think most practical questions arising can be very readily answered.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. JOHNSON of Colorado. The Senator has made a very excellent analysis of the bill, and I think most of us who have been following the legislation have a pretty clear understanding of what the conference report proposes to do. I have one question, however, on which I am not entirely clear. Under the second windfall provision a recovery is to be made of taxes paid by persons receiving very large incomes due to the war, but in the provision was any leeway given, or any relief afforded, to persons who happened to have very large incomes in 1942 not due to the war or to war profits?

I am inquiring because I have just received two telegrams, and one of them, from a trust officer of one of the large Denver banks, presents this question:

DENVER, COLO., June 2, 1943.

Hon. EDWIN C. JOHNSON,

Senate Office Building,

Washington, D. C.:

Have been attempting to apply proposed Current Tax Payment Act of 1943 to specific case of the beneficiary of a large trust created by will in 1942. The beneficiary will receive an estimated one-hundred-and-sixty-odd-thousand dollars of fully taxable income during 1943, and it appears that her total Federal taxes payable from that income, including normal tax, surtax, unforgiven portion of 1942 tax, windfall tax, and Victory tax, will aggregate slightly more than her total income from

the trust during 1943. The inequity seems to lie in the large windfall tax inasmuch as the trust beneficiary had only nominal income during the base years. The income involved is not in any way connected with war profits, and the beneficiary is without sufficient capital funds with which to pay deficiency and pay expenses until income for future years is received.

Was any provision made for such a condition?

Mr. GEORGE. If the income was received in 1943, I assume the tax for that year was higher than the tax for 1942. In that case the second windfall tax will only apply to the year 1942, and only to that year if in excess of the income for the normal year plus \$20,000. So far as the second windfall is concerned the conference agreement permits the taxpayer to take the highest income he received in 1937, 1938, 1939, or 1940, and increase that income by \$20,000. Then the unabated 1942 tax which results under the second windfall is payable in four annual installments, beginning in March 1945. It is payable in four installments—that is, on March 15, 1945, March 15, 1946, March 15, 1947, and March 15, 1948. I do not, therefore, believe that this windfall provision is as harsh on the taxpayer described in the telegram as might appear at first blush.

Under the pay-as-you-go system, the taxpayer will estimate his 1943 tax and pay the estimated tax in 1943. Therefore, any part of his 1942 tax which he is required to carry over into subsequent years will not be required to be paid until after 1943.

It was recognized that in most cases the \$20,000 income, plus the highest earnings of the taxpayer in either one of

his 4 base years, would fairly well protect him against the windfall provision where his income had not gone up on account of war conditions or war profits. It was not the desire of the conferees fully to abate the tax liability of those who had profited as a result of war contracts. I know that is not the case mentioned in the telegram, and that case may be one of hardship, but ordinary taxpayers who find themselves in such a position, by and large nearly all of them, with a few exceptions, will be fairly well protected by taking the highest earnings in any one of the 4 base period years and adding \$20,000, calculating the liability on that total income, and comparing it with the tax for 1942 or 1943, whichever is the lesser year.

I think, however, I may say that, in my judgment, the greatest benefit we have given in hardship cases such as that the Senator has presented results from the spread of the windfall recoupment over 4 years.

I may say now to the Senator and to the Senate that, in my judgment, in the case of individuals who have not profited from the war there may be undue hardship for which we will have to provide some form of relief. We were faced with a similar situation under the excess-profits tax as applied to corporations, and after the enactment of the law it had to be amended to provide for hardship cases. I think it very safe to say that in genuine hardship cases, such as that referred to, the Congress would have ample opportunity to work out relief provisions. But there is no special relief provision in the conference report to fit a case such as that presented by the Senator from Colorado if real hardship results.

Mr. CLARK of Missouri. Will the Senator from Colorado permit me to ask a question?

Mr. JOHNSON of Colorado. I desire to say a word further, and then I shall be glad to take my seat.

I am very grateful to the Senator from Georgia for his explanation of the relief provisions which are offered by the conference report and for the hope he has so well expressed that relief may be given in the future in such a hardship case as I have just described.

In the telegram it was suggested that an amendment be offered to the conference report, which, of course, is not parliamentarily possible. We have to accept the report as it is or reject it as it is, and there is no chance to make any corrections in the provisions of the conference report at this time. So the hope for relief in the future that is expressed by the able Senator from Georgia is very much appreciated.

Mr. GEORGE. I am reasonably sure that Congress itself would desire to take care of proper cases. That is the only consolation I can offer.

Mr. CLARK of Missouri. Mr. President, will the Senator from Georgia yield?

Mr. GEORGE. I yield.

Mr. CLARK of Missouri. I agree entirely with what the Senator from Georgia has said, but I should like to ask the Senator from Georgia whether it is

not true that the provisions as to the second windfall, as contained in the conference report, are very much more liberal as to individual taxpayers than the provisions of the bill as reported from the Senate Finance Committee to the Senate—

Mr. GEORGE. And as it passed the Senate.

Mr. CLARK of Missouri. And specifically those written by the Senator from Colorado himself. The Senator from Georgia will recall that the original provision was defeated by a tie vote, and then the Senator from Colorado had the opportunity to put in a couple of amendments, which he did, which marshaled enough votes to put over the second windfall tax in the Senate Finance Committee. Does the Senator from Georgia have the slightest doubt that the provisions of the conference report are very much more liberal as to individual taxpayers than the provisions of the bill as reported by the Senate Finance Committee to the Senate, which were written essentially by the Senator from Colorado [Mr. JOHNSON] himself?

Mr. GEORGE. I should like to say, Mr. President, that the second windfall provision in the conference report is more liberal to the individual income taxpayer who is affected by it than the bill which was approved by the Senate Finance Committee and passed by the Senate. Under the windfall provision of the Senate bill approximately \$400,000,000 would have been recouped from individual income taxpayers, whereas under the conference report \$200,000,000 will be recouped. But I think I should say in justice to the Senator from Colorado, and I am sure the Senator from Missouri will approve what I am about to say, that the proposals made by the Senator from Colorado in the Senate Finance Committee greatly helped the windfall provisions in the bill, as we had it under consideration at the time.

Mr. CLARK of Missouri. Mr. President, if the Senator will further yield I will say that I am very happy to agree to that statement. I think the Senator from Colorado contributed greatly to agreement in the Finance Committee; as a matter of fact I know he did, because the Finance Committee reversed itself—

Mr. GEORGE. That is true.

Mr. CLARK of Missouri. On the basis of two of his suggestions. This is a very late day for the Senator from Colorado to be coming forward and objecting to the second windfall provision, because it was really much more greatly modified than the provision which he himself originally presented.

Mr. GEORGE. I do not understand the Senator from Colorado to be objecting. He was simply bringing to our attention a proposition which was not presented before we had concluded the conference.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. JOHNSON of Colorado. I think it is only fair to say, and I hope the Senator from Missouri [Mr. CLARK] will agree with my statement, that I was not

the author of the second windfall provision, to the contrary I was bitterly opposed to it, but when I could not defeat it I did offer two amendments which greatly modified it, and afforded some relief under it. I was not entirely satisfied with the relief afforded by my amendments; I should have liked to go much further, but in legislation we have to do the very best we can. The senior Senator from Colorado did the best he could to eliminate the second windfall provision. Had I thought at the time of the special hardship situation which is disclosed by the telegram which I have just read certainly I would have offered some amendments dealing with that particular point. But what we were trying to do in the committee was to correct excessive war profits which might escape under the abatement of 1 year's taxes. The Senator from Missouri will recall that I voted against the Carlson-Ruml bill for the reason it contained this very second windfall provision.

Mr. GEORGE. Mr. President, I am very glad to approve all that the Senator from Colorado has said, because he has given a faithful and detailed statement of his activities, as I recall them, in regard to the second windfall provision of the measure.

Mr. President, I believe I have nothing further to submit.

Mr. BONE. Mr. President, on the vote on the conference report I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. VANDENBERG. Mr. President, from the minority side of the conference I wish to make a brief statement regarding the general situation, inasmuch as the minority conferees have joined in the report, having done so chiefly for the sake of unity in the war effort, a unity which the administration always demands, but too frequently neglects to encourage or does not deserve.

The conference was the most difficult in which I have ever participated in all my 15 years in the Senate. Seemingly insurmountable barriers confronted us for many days, and only a dogged determination to serve the public interest by preventing a collapse of the conference kept it alive. The public interest required an agreement. Our ultimate choice—as it is the Senate's—was this agreement or nothing.

In this connection I give my full measure of praise to the distinguished chairman of the Senate Finance Committee, the Senator from Georgia [Mr. GEORGE], and to the genuinely brave statesmanship, in the last analysis, of the distinguished chairman of the House Ways and Means Committee, the gentleman from North Carolina [Mr. DOUGHTON]. But I should also like to have the record show—particularly to those voluble critics who automatically charge a political taint against Republican attitude—that an agreement would have been impossible without Republican cooperation.

From start to finish, except upon an inconsequential few occasions, the seven Senate conferees almost invariably voted as a unit, without regard to partisan lines, seeking only the best national welfare under these difficult circum-

stances. I hope this may be some evidence of good faith to the country behind the compromise which is now presented.

It is needless to say that the result is far from satisfactory to any of us—least of all to the minority, which has faithfully supported the Carlson-Ruml plan ever since the proposed legislation was initiated. We wanted to make all possible American taxpayers current in their tax liabilities with least possible delay, treating all alike without discrimination. We confronted majority conferees from the House who really wanted no abatement at all. We also confronted an adverse situation which was seriously and almost fatally complicated by the attitude of an obdurate Treasury and by the recent inflammatory letter from the President. Such a situation manifestly was not one of easy composition.

In this situation, fraught with great danger to the war effort, if the Congress should fail to function in this critical, fiscal need, I wish to say to my minority colleagues that their spokesmen in the conference joined with their majority Senate conferees, and with the House minority conferees and one House majority conferee, in making the pending recommendation—believing it to be the best available answer to the current problem.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. CLARK of Missouri. I am very much interested in the very dispassionate statement being made by the distinguished Senator from Michigan. Does not the Senator think it ought to be stated at this point that there was not one single member of the conference, from either the House or the Senate, as between the Houses, or as between the Democratic and Republican Parties, who was in favor of the bill as it passed the House of Representatives, or who was willing to take the responsibility for it?

Mr. VANDENBERG. The Senator from Missouri is entirely correct. He is historically accurate as to that particular issue.

I wish further to say to my minority colleagues to whom I as one of the conferees am really reporting, that we joined in holding the line for 5 torrid days against a drive which would have entirely emasculated the Senate bill and, in my view, would have cheated the legitimate hopes of a great majority of the American people. The final compromise, now here pending, is a combination of the 75-percent abatement plan originally presented by the able Senator from Georgia, plus refinements proposed by our minority, namely, the total elimination from the remaining 25 percent of pyramiding taxes in 1944 and 1945 for some 4,000,000 taxpayers in the lowest brackets.

The conference report will put probably 90 percent of all taxpayers on a current basis at once, and 100 percent within 2 years. It will make tax collection at the source immediately possible—a device, whether we like it or not, which is indispensable to the war effort. It will substantially increase the Federal tax revenue for 1943, 1944, and 1945. It probably will stabilize individual income

taxes for the next 2 years. It will strongly help in the vital battle against inflation. Meanwhile, it will save Congress and the country from the spectacle of democracy's impotence in a crisis.

Mr. President, with great respect for the good conscience of many Members of Congress who oppose this report, nevertheless I observe that it is always pleasant and comfortable to vote against a tax bill—and particularly a war bill such as this. But duty is frequently unpleasant and uncomfortable. This bill will further burden the purse and the patience of our people. It will further load down American employers with tax-collection tasks for their Government, which ought to reciprocate by lightening the load in other directions. But it is all still a relatively small war price which we thus pay on the home front. I respectfully recommend this conference report to my minority colleagues, regardless of its unsatisfactory features. And to the President and the Treasury I respectfully recommend a greater willingness in the future to play team ball with the Congress in meeting our further fiscal emergencies.

In his first public utterance after becoming virtually Assistant President, the estimable Mr. Byrnes said on Monday night that he would do all in his power to bring about the same coordination of efforts among the civilians in governmental agencies that exists on the military fronts. I respectfully suggest to him that there is tremendous opportunity for him to exercise this saving grace when he speaks to the White House and the Treasury regarding their future congressional relationships in respect to further fiscal crises.

Mr. CLARK of Missouri. Mr. President, I have no desire whatever in the brief time I shall occupy the floor this afternoon to speak for the majority or for the minority in connection with the presentation of the conference report.

I joined with the Senator from Rhode Island [Mr. GERRY] and the Senator from Connecticut [Mr. DANAHER] in being the first congressional sponsors of the principle of pay-as-you-earn taxation. As a subcommittee, we offered that report to the Finance Committee nearly a year ago; and in the full Finance Committee we obtained for the report only our own votes.

Since that time much water has passed over the dam, much expression of public opinion has been had, much change of alignment has been made. Unfortunately, as I have said before on this floor, in the House of Representatives the matter had become one of partisan debate and partisan consideration. I think that is one of the most unfortunate things which ever has happened in the tax history of the United States.

In this body, fortunately, Mr. President, there never has been any partisan alignment on the question of pay-as-you-go, pay-as-you-earn, collection at the source. When the matter was considered in the Finance Committee a few weeks ago, as many Democrats voted for the motion which I made to report the

so-called Ruml plan, the modified Ruml plan, as Democrats voted against it.

That matter was considered in this body, Mr. President, and was fully considered; and the plan was adopted in the Senate bill by a vote of 49 to 30, as I now recall.

A conference committee was appointed at the instance of the distinguished chairman of the Committee on Finance, the Senator from Georgia [Mr. GEORGE]. That committee certainly adequately represented the view of the Senate as to devotion to the Senate bill. The committee represented two Members of the Senate who had voted against the Senate bill, the Senator from Georgia, himself, and the distinguished junior Senator from Virginia [Mr. BYRD]. It included five other Senators who not only had voted for the Senate bill, but who were devoted in principle to it.

Between the time when the bill was passed by the Senate and the time when the motion to concur in the Senate amendment was voted on in the House, the President of the United States saw fit to express his views on that question and, in effect, to announce his intention to veto that bill. I think the letter of the President undoubtedly was decisive in the vote of the House of Representatives as to concurrence in the Senate amendment.

Mr. President, I am not one of those who have criticized the President or who now want to criticize him for his timely expression of his position on a measure which might be presented to him for signature. I cannot imagine anything which would be less conducive to national unity and to common purpose than for the Congress of the United States solemnly to pass a bill which the President already knew in advance he would be forced to veto.

Therefore, Mr. President, when we started the conference the Senate conferees commenced it with the proposition in mind that it would be necessary for us to compromise; because there was not a single member of the conference committee, either on the part of the House or on the part of the Senate, who would seriously assert that it would be conducive to national unity for the Congress to pass a bill which the President would be forced to veto.

The Senate conferees, on the first day of the conference, in view of the President's letter, very frankly came down to essentially the position which is involved in the final conference report; and I am certain that I speak for the Senator from Massachusetts as well as for myself and for the Senator from Michigan and for the other minority Members when I say that when we stated that proposition we were stating the irreducible minimum to which we would be willing to go.

We had several days of the most tortuous conferences, which wore on all of us, starting early in the morning and lasting until late in the afternoon. There were many times when it was apparent to most of us on the conference committee that there was no possibility of agreement, and the suggestion repeatedly was made that the conference be broken up in disagreement. But

always the suggestion was made, Mr. President, that there were two great hazards that we had to avoid. One was adopting a conference report which we knew the President would feel compelled to veto. The other was breaking up the conference and conveying to the people of the United States the impression that the Congress was unable to legislate.

There were honest convictions on both sides of the conference, both with regard to the Senate position and the House position, and with regard to the Republican position and the Democratic position. I say, Mr. President, as my deliberate opinion as one of the first sponsors of the 100-percent cancellation of taxes, the skip-a-year plan, the Ruml plan of taxation, or whatever one may choose to call it, that I believe that the compromise conference report brought in by the Senate and House conferees is the very best proposition that could possibly have been agreed upon in order to bring about legislation, and that that is very much better than would be a complete failure of legislation.

No one questioned at any turn of the road the desirability and necessity of having collection at the source and making the Nation current with its taxes. The only dispute between us at any stage was as to how much additional taxes, in the way of double taxation, the individual taxpayer could possibly stand in order to achieve a result favorable to himself and favorable to the Treasury, making him current with his taxes. The conference report represents the ultimate maximum on the one side and the ultimate minimum on the other side. I believe that the Senate should follow the example of the House and adopt the conference report by an overwhelming majority.

Mr. BYRD. Mr. President, as one of the Senate conferees on the tax bill, I wish to say that I have never known a group of men who labored more diligently and cooperatively to reach a conclusion on one of the most difficult and controversial subjects that has ever been presented to a congressional conference.

I especially wish to pay tribute to the Senator from Georgia [Mr. GEORGE], chairman of the Senate Finance Committee, and to Mr. DOUGHTON, chairman of the Ways and Means Committee of the House, for their patience and leadership in the final report, which was adopted by the conferees by a vote of 11 to 3.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. CLARK of Missouri. I should like to add a word to what the Senator has said. I intended to say it, but I was speaking extemporaneously, and did not mention the services of the chairman of the Finance Committee and the chairman of the House Ways and Means Committee. They are certainly entitled to all credit for this agreement.

Mr. BYRD. I wish to say, too, that the Republican members of the conference showed a most cooperative spirit in the effort to reach an agreement.

If the conference had been unable to reach an agreement, I believe that the average citizen of this country would have reached the conclusion that Con-

gress was unable to function and to make a final decision on a question which has created perhaps as much interest on the part of the average citizen as any domestic question that has been presented to the Congress in many years.

It is true, I think, that the agreement reached did not fully meet the views of any single conferee; but I am of the firm conviction that it was much wiser to reach an agreement, even though some concessions had to be made by every conferee in the effort to harmonize the differences that existed.

In view of the mutual advantages of a pay-as-you-earn system of taxation, both to the Government and to the individual taxpayer, it was my opinion the taxpayer and the Government should each make a suitable contribution to attain a tax policy which would be beneficial to both.

I was hopeful that some agreement could be reached with an abatement of between 50 and 60 percent, with collection of the balance in a 2-year period, and provision for a longer period in special hardship cases, but this could not be agreed upon.

What is definitely accomplished by the conference report is, first, the collection of a withholding tax effective July 1 next, of not exceeding 20 percent on wages and salaries, with certain exemptions; and, second, it has accomplished the objective of placing the entire income tax system as affecting individuals on a pay-as-you-go basis on March 15, 1945.

It is essential, in my opinion, that a withholding tax at the source be instituted at the earliest possible time, and that very great advantages will accrue from a complete pay-as-you-go tax system such as is made effective on March 15, 1945, by the conference report.

We may as well face frankly the fact that for years, and perhaps for generations to come, this country must pay exceedingly heavy and burdensome taxes. Before our Budget is balanced, we shall have a colossal debt, which may exceed \$300,000,000,000, and is not likely to be less. The servicing and gradual payment of this debt, combined with the essential expenditures of Government, will tax to the utmost the resources of all our citizens. Under these conditions, it is obviously very beneficial to bring tax collections as close as possible to the period during which the money was earned on which income taxes must be paid. Under the present system, the taxpayer begins to earn an income on January 1 of 1 year, but he does not pay his final tax on such earnings until December 15 of the following year. In other words, he does not pay finally until 23½ months later. To shorten this period undoubtedly will make more flexible the tax collection system with mutual benefits both to the Government and to the taxpayer.

For this reason, Mr. President, and because I thought that it was important to reach an agreement, after advocating as strongly as I could the principles I supported in the Senate debate on the tax measure reported by the Senate Finance Committee, I signed the conference report, and believe it would be

for the best interests of the country that the report be adopted.

Mr. LA FOLLETTE. Mr. President, I desire to make a brief statement of the reasons why I shall vote against the conference report.

I do not in anywise wish anything I may say or may not say to be taken as a criticism of the Senate conferees. Obviously, the report upon which they agreed was well within their power, and I have no doubt that they labored arduously and long in order to arrive at any agreement whatever.

I have already set forth rather fully my reasons for being unalterably opposed to the bill as it passed the Senate on May 14. I shall not now repeat the statement of those reasons; but, in my opinion, the basic arguments against the bill as it passed the Senate lie against the conference report.

As I see it, we cannot escape the fact that more than \$6,000,000,000 of taxes are being abated, forgiven, or canceled. We cannot escape the further fact, in my opinion, that the adoption of this report, with the 25-percent carry-over for the next 2 years, will in all probability create such a situation that the additional taxes, which every person recognizes must be levied if we are to avoid uncontrolled inflation, will have to be fried out of the hides of the people of this country who are in the lower income group. To my mind that will be a tragic consequence of the adoption of this report.

Mr. WALSH. Mr. President, as has been indicated by previous speakers, the task assigned to the conferees was most troublesome and confusing. We were confronted in the conference room with the atmosphere which had been developed in the House by reason of 3 long months of agitation and discussion of various ways and methods to establish the pay-as-you-go tax system. That atmosphere entered into the conference room, and we were confronted with two elements. The Republican conferees on the part of the House were apparently willing to go before the country in the next election—assuming, of course, a disagreement in the conference—on the issue of the pay-as-you-go tax plan. The Democratic conferees on the part of the House were disposed to preserve the law as it was, maintain the present statutes, and fight out the issue of forgiveness, as well as the extent of forgiveness, in connection with the adoption of a pay-as-you-go tax plan.

Fortunately the Republican members of the conference on the part of the Senate brought into the deliberations a spirit of cooperation, compromise, and an earnest and sincere desire to reach an agreement.

I do not wish to diminish the credit which should be accorded to the Senator from Pennsylvania [Mr. DAVIS] or the Senator from Connecticut [Mr. DANAHY], but perhaps more than any other man the Senator from Michigan [Mr. VANDENBERG] led the way toward reaching an agreement. He abandoned all thought of keeping alive a political issue upon this question, and I think it was his unselfish leadership which led his

party colleagues on the part of the House to change their attitude and join in an earnest and sincere desire to reach a united conference report.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. CLARK of Missouri. Of course, the Senator knows—and it will bear out what he has just said—that it was a noteworthy fact that in nearly all the votes which were taken in the conference the House conferees voted 4 to 3 one way or the other, while almost without exception the Senate conferees voted unanimously 7 to 0.

Mr. WALSH. That is true.

Mr. CLARK of Missouri. I entirely agree with the Senator from Massachusetts in what he has said relative to the influence of the Senator from Michigan.

Mr. WALSH. I should like to emphasize that. If no other record is made of this controversy, I wish to pay special tribute to the spirit of tolerance, and the abandonment of any partisan consideration upon the part of the Senator from Michigan. His attitude was really inspiring.

I shall not take time to indicate how much we all are indebted to the gallant and able chairman of the Finance Committee for his leadership. That has already been referred to. As usual, he was patient, considerate, tolerant, and able in the presentation of his views.

However, there was one other member of the Committee of Conference to whom great credit is due, and that is the noble and able Representative from North Carolina, Mr. DOUGHTON, the chairman of the Ways and Means Committee. When the crisis came over whether we should disagree and have no report, or bring a report back to Congress, he stood alone among his conferees of his own political faith and decided that it would be unfortunate for the Congress to confess to the country its inability to pass a tax bill at this time. His attitude was most commendable, and was taken under circumstances which impressed every member of the conference. The depth of feeling and sincere racking of his conscience to reach a decision deeply impressed every one of us.

I do not wish to take up the time of the Senate, but there are some facts which I should like to have made a matter of record in connection with the closing of this discussion, and I shall briefly present some views which I think should be made a matter of record in connection with this controversy.

Mr. President, acceptance by the House and Senate of the conferees' report may be taken for granted, and if the President interposes no veto and the bill becomes law, it will constitute a big forward step in dealing with the immensely complex tax problem which confronts our country, or any country, in time of war. The change over to the pay-as-you-go basis of tax collections will yield larger revenues to the Treasury this year than would otherwise have been the case, and the pay-roll withholding tax, starting July 1, will supply a partial check on the inflationary spiral arising from an

increasing supply of money and a diminishing supply of goods. The settlement of the present tax controversy and the enactment of the present bill will clear the path for early consideration by Congress of the bill to raise additional revenues, and to impose additional taxes in various categories to help meet the prodigious needs of the Treasury for funds.

Unfortunately, in dealing with this question of putting the taxpayers of the country on a current basis, there has been a great deal of misrepresentation, appeals to great prejudices, and much sparring for political advantage. It has not been confined to one party, either. The issue has been distorted and the advantages to the Government, as well as to the country, of modernizing our tax system and putting it on a sound, business basis, have been obscured. The method of paying income taxes 1 year after the income was received was not particularly burdensome to the taxpayers, nor prejudicial to the Treasury, so long as the number of income taxpayers was comparatively small, their incomes constant, and the rates relatively moderate. The big increase in the number of income taxpayers arising both by reason of the broadening of the tax base effectuated in the 1943 tax bill, as well as by increased earnings, the higher income-tax rates now imposed, and the wide fluctuations in tax liability from year to year resulting from war conditions, all combined to create the need and Nation-wide demand for revision in the methods of tax assessment and tax collection.

The adoption of the plan to pay taxes at the time and in the year when incomes are earned is of decided benefit to the Treasury.

In my opinion, it is of more benefit to the Treasurer than to anyone else. It means that the Treasury will be able to collect future taxes more easily and in larger volume. It is also a convenience to all taxpayers, large and small. The contention that this change over to a pay-as-you-earn plan is of particular benefit to taxpayers in the high income brackets is not true. It is no hardship on wealthy taxpayers to pay their taxes a year or 2 years after receipt of income on which they are levied. The wealthy, unlike the ordinary wage earner and white collar worker, have accumulated funds out of which to pay their income taxes as well as enjoy the opportunity to borrow on their capital, if that be necessary.

Another misrepresentation indulged in by the opponents of the pay-as-you-earn tax plan is that taxpayers are forgiven all or a part of the taxes of 1 year by the proposed change. This in theory may be urged, but as a reality every taxpayer will pay taxes—increased taxes—this year and every year that he lives in the same way that he has paid taxes in the past. Furthermore, the compromise pay-as-you-go tax plan that the conferees have agreed upon will place in the Public Treasury this year and in every year in which incomes continue to increase, more money than any other plan proposed. This would be true even if the present tax system were continued.

There is no current financial loss to the Government by the new plan.

I have favored from the very outset the placing of all taxpayers on a current tax-paying basis without discrimination. This would compel all taxpayers to pay the taxes levied under the tax law of last year in full, and leave the way open and free to increase future taxes on a graduated scale, which has become the fixed policy on the ability-to-pay theory.

Those who preferred to continue the present obsolete tax system were unwilling to change to the new system without imposing what I call penalties for this privilege. The result was that various proposals were made arranging for a 50-percent carry-over to be added to the 1943 taxes. The imposing of as high a carry-over tax as 50 percent would bankrupt many taxpayers, and would amount, in many instances, to what has never yet been imposed in any tax law, namely, a tax on taxpayers' capital.

It became apparent that there was a real contest between those who believed in adopting the new system without any carry-over tax and the extremists, who wanted to levy excessive carry-over taxes. Therefore, a compromise had to be reached or the establishment of a pay-as-you-go plan abandoned.

The Senate conferees brought to the conference a bill which had passed the Senate almost 2 to 1, with no carry-over taxes. The Senate conferees, as a compromise, suggested a carry-over tax of 25 percent of the 1942 tax liabilities, computed at the 1942 rates, to be paid in 1944 and 1945 in 2 installments of 12½ percent each year, but with a provision that all taxpayers whose taxes were less than \$50 would be excepted from this carry-over tax. This compromise, after a deadlock of several days, was finally accepted by 11 of the 14 conferees.

The conference report, Mr. President, should be adopted, and the controversy over this question ended.

Mr. O'DANIEL. Mr. President, I suggest the absence of a quorum.

Mr. GEORGE. Mr. President, will the Senator withhold the suggestion for a few moments?

Mr. O'DANIEL. Very well, I withhold the point of no quorum.

Mr. GEORGE. Mr. President, before the vote is taken, I should like to emphasize what has been said by members of the conference committee on the part of the Senate who have spoken on the conference report, and particularly to stress the earnest, devoted and patriotic service rendered by every member of the conference committee.

I may say, Mr. President, that the minority conferees of the conference committee on the part of the Senate were most helpful in working out the very best possible bill, as has been said, that could be written under all the circumstances.

I wish to pay my especial respects to the senior Senator from Michigan [Mr. VANDENBERG], the senior Senator from Pennsylvania [Mr. DAVIS], the junior Senator from Connecticut [Mr. DANAHILL], as well as all the Democratic members of the conference committee representing the Senate.

I particularly wish to endorse all that has been said with reference to the highly courageous act of the chairman of the House Ways and Means Committee, the Honorable R. L. DOUGHTON, in making possible this bill, for finally he himself went all the way in order to make possible an agreement. Even that act would have been unavailing however, had it not been for the cooperative spirit of the minority members of the House conference committee, acting in conjunction with the Senate conferees, and especially the minority members of the Senate conference committee.

I wish, Mr. President, in this connection also to say that I appreciate the differences of point of view which have arisen over this important question and over the other important question which has today been disposed of by a vote of this body, to wit, the extension of the Reciprocal Trade Agreements Act. I fully understand that there are deep convictions held by Senators on both sides of the aisle. I am very happy to think that in the renewal of the Trade Agreements Act there has not been a solid line-up along political lines, but many Senators on both sides have entertained the view that, for one reason or another, the Reciprocal Trade Agreements Act seemed to them to be essential as a legislative measure.

I wish specifically to acknowledge my debt of gratitude to the distinguished leader of the minority, the Senator from Oregon [Mr. McNARY], who has cooperated at all times, although opposed to the Trade Agreements Act, in securing final votes upon all issues that arose during the consideration of the joint resolution.

I wish also to express my appreciation, Mr. President, to all members of the Senate who have likewise cooperated in an effort to bring to a speedy conclusion all the issues which honestly arose and existed upon the particular joint resolution.

SEVERAL SENATORS. Vote

Mr. O'DANIEL. I renew my suggestion of the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	George	Overton
Andrews	Gerry	Pepper
Austin	Gillette	Radcliffe
Bailey	Cuffey	Reed
Ball	Gurney	Revercomb
Bankhead	Hatch	Reynolds
Barbour	Hawkes	Russell
Bilbo	Hayden	Scruggam
Bone	Hill	Shipstead
Brewster	Holman	Smith
Brooks	Johnson, Colo.	Stewart
Burton	La Follette	Taft
Bushfield	Langer	Thomas, Okla.
Butler	Lodge	Tobey
Byrd	Lucas	Truman
Capper	McCarran	Tunnell
Caraway	McFarland	Tydings
Chandler	McKellar	Vandenberg
Chavez	McNary	Van Nuys
Clark, Idaho	Maloney	Wagner
Clark, Mo.	Maybank	Wallgren
Connally	Mead	Walsh
Danaher	Millikin	White
Davis	Moore	Wiley
Downey	Murray	Willis
Eastland	Nye	Wilson
Ellender	O'Daniel	
Ferguson	O'Mahoney	

The PRESIDING OFFICER. Eighty-two Senators having answered to their names, a quorum is present.

The question is on agreeing to the conference report. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. PEPPER (when his name was called). On this vote I have a pair with the senior Senator from Idaho [Mr. THOMAS]. I am informed that if he were present he would vote "yea." Therefore I am at liberty to vote. I vote "yea."

The roll call was concluded.

Mr. McNARY. The Senator from Wyoming [Mr. ROBERTSON], the Senator from Nebraska [Mr. WHERRY], and the Senator from Delaware [Mr. BUCK] are necessarily absent. All these Senators would vote "yea" if present.

The Senator from New Hampshire [Mr. BRIDGES] is necessarily absent.

The Senator from California [Mr. JOHNSON] is absent because of illness.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] and the Senator from West Virginia [Mr. KILGORE] are absent from the Senate because of illness.

The Senator from Rhode Island [Mr. GREEN], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from Utah [Mr. MURDOCK], and the Senator from Montana [Mr. WHEELER] are detained on important public business. I am advised that if present and voting, the Senator from Rhode Island [Mr. GREEN] would vote "nay."

The Senator from Montana [Mr. MURRAY] is detained in a committee meeting.

The Senator from Utah [Mr. THOMAS] has a general pair with the Senator from New Hampshire [Mr. BRIDGES].

Mr. CHANDLER. My colleague, the senior Senator from Kentucky [Mr. BARKLEY], is temporarily absent from the Senate because of illness. I am informed that if he were present he would vote "yea."

The result was announced—yeas 62, nays 19, as follows:

YEAS—62

Aiken	Ferguson	Radcliffe
Andrews	George	Reed
Austin	Gerry	Revercomb
Bailey	Gillette	Reynolds
Ball	Cuffey	Scruggam
Bankhead	Gurney	Shipstead
Barbour	Hatch	Smith
Brewster	Hawkes	Stewart
Brooks	Holman	Taft
Burton	Johnson, Colo.	Tobey
Bushfield	Lodge	Truman
Butler	Lucas	Tunnell
Byrd	McCarran	Tydings
Capper	McNary	Vandenberg
Caraway	Maloney	Van Nuys
Chandler	Millikin	Walsh
Chavez	Moore	White
Clark, Idaho	Nye	Wiley
Clark, Mo.	O'Mahoney	Willis
Danaher	Overton	Wilson
Davis	Pepper	

NAYS—19

Bilbo	Hill	O'Daniel
Bone	La Follette	Russell
Connally	Langer	Thomas, Okla.
Downey	McFarland	Wagner
Eastland	McKellar	Wallgren
Ellender	Maybank	
Hayden	Mead	

NOT VOTING—15

Barkley	Johnson, Calif.	Robertson
Bridges	Kilgore	Thomas, Idaho
Buck	McClellan	Thomas, Utah
Glass	Murdock	Wheeler
Green	Murray	Wherry

So the conference report was agreed to.

PERMISSION TO INTRODUCE AND DISCUSS A BILL

Mr. WAGNER. Mr. President, I shall have to be away for several days after tomorrow. I request unanimous consent that at the beginning of the session tomorrow I may introduce a bill and discuss it or make an explanatory statement, which will take not more than 10 minutes.

The PRESIDING OFFICER. Is there objection to the request of the Senator from New York? None is heard, and it is so ordered.

THE COAL STRIKE

Mr. BYRD. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a statement prepared by me with respect to the pending coal strike, and I request that following my statement there be printed in the RECORD an editorial entitled "Who's Boss?" appearing in the Washington Post of June 2, 1943.

Mr. LA FOLLETTE. Mr. President, in order that there shall not be any misunderstanding with respect to the Senator's request, and before unanimous consent is given, I desire to make it clear that I have no objection to having the Senator's statement printed in the body of the RECORD, provided it does not appear in RECORD type, but is printed in such a way as to show that it is a statement.

Mr. BYRD. Mr. President, that was my understanding. I used the word "statement"—a statement coming from the Senator from Virginia, to be inserted in the body of the RECORD.

Mr. LA FOLLETTE. I thought the Senator meant that; but yesterday there was a slight misunderstanding with respect to a request by another Senator, and I do not want the previous situation to recur.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Virginia?

There being no objection, the statement and editorial were ordered to be printed in the RECORD, as follows:

STATEMENT OF HON. HARRY FLOOD BYRD, OF VIRGINIA

Who is the boss of the United States of America? Is it John Lewis or President Roosevelt? Millions of Americans are asking this question.

On May 2 President Roosevelt delivered a solemn warning to the Nation calling for the resumption of coal mining and the stoppage of all strikes in defense industries. His words were brave and the principles he enunciated were of the highest patriotism. Using his powers as Commander in Chief, he took over the mines. The American flag was hoisted. He appointed Secretary Ickes to take charge. The American people then believed that at last the administration intended to come to grips with John L. Lewis. Twice before John L. Lewis had won victories over the administration. The average citizen said that Harold L. Ickes was a

"tough guy" and he would tell John Lewis where to get off, but so far Mr. Ickes has spoken very softly and made rather humble requests of Mr. Lewis to resume the mining of coal.

The strongest condemnation Mr. Ickes has as yet made of Mr. Lewis was last night when he said, "The President of the United Mine Workers cannot escape the responsibility for the cessation of work today." Mr. Lewis was not even mentioned by name.

What hidden power has John L. Lewis so that he, and he alone, can defy the Government of the United States in an hour of the greatest peril this Nation has ever faced? Can anything be more destructive of the morale of those American boys who are fighting and dying on many foreign battlefields? Has the American flag which now flies over the coal mines of America lost its power and prestige?

We were told that no strike could occur against the United States Government. Mr. Ickes is operating the coal mines acting for the Government. The United States is the employer. Yet, today, in the third day of the strike, the Associated Press reports that 500,000 miners remain idle. Mr. Lewis has defied the War Labor Board. He has refused to appear before them or to negotiate directly with them. Piece by piece he is obtaining all that he has asked for. The actual awards have not been made—but concessions have been tendered him which indicate he will finally gain all that he has requested.

If Mr. Lewis can defy his Government and the American flag now and get by with it, what may happen when peace comes? Then America will go through the most difficult period of reconstruction of its American economy that has ever faced us. Then the seeds that are being sown today by the lack of courage and firmness on the part of the high Government officials may sprout to domestic chaos and strife. If Mr. Lewis can defy his Government in time of war, how can he be controlled in time of peace in the volcanic readjustment period following the war?

Congress has endeavored to pass anti-strike legislation affecting those engaged in war industries. Just before Pearl Harbor the Smith bills were passed by the House of Representatives. Had these bills been enacted by the Senate and signed by the President, it is not likely the strikes would have occurred. This legislation was smothered in the Committee on Education and Labor on the direct request of the President and of Madam Perkins.

The Connally bill, on the point of passage in the Senate more than a year ago, was removed from the Senate calendar at the direct request of the President, who said that the passage of the bill would be harmful to the war effort. It was passed a year later and is now before the House of Representatives.

I introduced legislation 60 days ago providing for "work or fight" of those striking in defense industries. Immediately the various departments of the Government opposed this legislation, saying that it would be harmful to national morale to require those to fight who have refused to work and produce materials for those who are fighting.

The winning of the war abroad will be delayed, with much greater loss of life unless we can control our domestic affairs at home. We cannot temporize any longer with this situation.

We must preserve at all costs constitutional government at home. We owe this to our sons who are fighting and dying on many foreign battlefields so that we may have this constitutional government.

[From the Washington Post of June 2, 1943]
WHO'S BOSS?

On May 2 the President in the most solemn address he has ever delivered to the Nation

called for the resumption of coal mining. It had been stopped. The next day the miners trooped back to work. But they did not go back to work at the President's behest. They went back to work at the command of John L. Lewis. Twenty minutes before the President appeared in front of the microphone Lewis had waived the strike for 15 days. It was this order that the miners obeyed. They kept on mining coal when Mr. Lewis decreed a renewal of the truce, and they left the mines on Monday night in their entire strength when Mr. Lewis failed to renew the truce. There has thus been demonstrated what was unclear on May 3—that the miners look for guidance to Mr. Lewis and not to their President and Commander in Chief.

Why do the miners put the leader of their union ahead of their President? Why this extraordinary fealty to a man as if he is a god—to a man obsessed with a lust for personal power and a passion for vengeance against their President? Why should they seem so indifferent to the dire consequences of their action to their own kinsmen in uniform? Why should they endanger their own hearth and home in their country's struggle for survival? Why should honest and worthy Americans knowingly give aid and comfort to their enemies?

Surely it is not because of the force of their grievances. Those grievances are in a fair way to satisfaction. The President promised to improve the living conditions of the miners, and he has more than carried out his promise. Not only has food been made available up to the limit of the existing rations; supplementary rations have been authorized on the justifiable grounds that in virtue of their arduous occupation the miners need more than normal rations. Prices have been reduced where they have been above ceiling level. And the administration is asking Congress for authority to subsidize the reduction of ceiling prices on miners' necessities. Equal consideration has been given to the miners' wage demands. The War Labor Board's award, which was offered as the base for fresh bargaining between operators and miners, was extremely liberal, and met all legitimate grievances. Secretary Ickes ordered a 6-day week to come into operation immediately with time and a half for the sixth day. The miners even have the assurance that compensation for the sixth day will be paid when mechanical difficulties prevent work on the sixth day. Why, in view of this catalog, do the miners ignore the President and stop the production of coal?

The answer is that the miners are not free agents. In no organization on earth is there a more docile following than in that of the miners of America. It is not a question of gratitude only, though John L. Lewis has lifted the living standards of the miners as a result of the concessions he has won from the coal operators. The fact is that Lewis has the power of life and death over his miners. They are his creatures just as if they were the lieges of a feudal lord. The tragedy is that it was the President himself who delivered the miners into bondage to Mr. Lewis. This he did by setting up a special arbitration board 18 months ago to compel the nonunion miners to join Mr. Lewis' union. Now the livelihood of the miners is in the keeping of a man who owes no responsibility to anybody for his satrapy. There is no choice for the miners. He is their boss. The toils of his tyranny over the miners are shown by the fact that the miners left their work not at his behest but because he had not given them permission to work beyond the truce. He can exert his will merely by failing to nod, equally by nodding. It is useless to rail at the miners till the Government saves them from this thralldom. The time has come to recommend legislation which will insure the democratic process in union management. The emendation of our labor laws providing for

such changes as accountability for funds will be far more assurance to the miners of protection than a Presidential appeal to desert the leadership of this vengeful Pied Piper who now holds their lives and suffrages in the hollow of his hands.

At the same time the miners must be shown who is the real boss in this critical situation. They have never properly understood. The spectacle of the repeated obeisances to Mr. Lewis has reinforced their fear of Boss Lewis. They have seen him flout Government tribunals. They have seen him walk like Agag as a law unto himself. They have seen him take even the President's measure. How can we expect the miners to stand up to him when the Government itself has been afraid? Accordingly the President must accompany his order to the miners to go back to work not only with an explanation of the true facts of the situation but also with a demonstration of the supremacy of Government. Less than that would make the Government contemptible in the eyes of the citizenry. Less than that would mean the degeneration of our democracy into a mobocracy. It must be made clear, specifically, that any aid to the strikers in a strike against the Government at war is enjoined. If this is not possible under existing law, it can be done by passing the Connally bill, and the administration should at once declare that it is back of that measure. A holdup of coal is a terrible threat to the lives of our soldiers and to our survival as a Nation which must be countered by the full strength and majesty of this Government.

CONFIRMATION BY THE SENATE OF CERTAIN GOVERNMENTAL EMPLOYEES

Mr. McKELLAR. Mr. President, I move that the Senate proceed to the consideration of Senate bill 575, to provide that officers in the executive branch of the Government who receive compensation at a rate in excess of \$4,500 a year shall be appointed by the President by and with the advice and consent of the Senate in the manner provided by the Constitution. I wish to say that in the event the bill shall be taken up I shall not press it until tomorrow.

Mr. McNARY. Mr. President, the motion now made is to proceed to the consideration of the confirmation bill, introduced by the Senator from Tennessee. I thought we were to proceed to the consideration of the lend-lease appropriation bill.

Mr. McKELLAR. I am moving to take the bill up, but shall not press it this afternoon, and tomorrow morning I shall ask permission temporarily to lay the bill aside and proceed with the lend-lease bill, which I hope may be passed in a few moments.

Mr. McNARY. If that procedure is followed, the able Senator from Tennessee then will have to obtain unanimous consent temporarily to lay aside the confirmation bill. Suppose consent were not granted.

Mr. McKELLAR. I think it will be granted. That has been done in a hundred different cases in the last year or two. I anticipate no trouble about temporarily laying the bill aside, and I shall ask that that be done. I thought that while Senators were present this afternoon would be a good time to take the bill up. What I suggest is in accord with the usual practice.

Mr. McNARY. I am not disturbed by the situation, but it is customary to dis-

[PUBLIC LAW 68—78TH CONGRESS]

[CHAPTER 120—1ST SESSION]

[H. R. 2570]

AN ACT

To provide for the current payment of the individual income tax, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "Current Tax Payment Act of 1943".

(b) MEANING OF TERMS USED.—Except as otherwise expressly provided, terms used in this Act shall have the same meaning as when used in the Internal Revenue Code.

SEC. 2. COLLECTION OF TAX AT SOURCE ON WAGES.

(a) IN GENERAL.—Chapter 9 of the Internal Revenue Code (relating to employment taxes) is amended by inserting at the end thereof the following new subchapters:

**"SUBCHAPTER D—COLLECTION OF INCOME TAX AT
SOURCE ON WAGES**

"SEC. 1621. DEFINITIONS.

"As used in this subchapter—

"(a) WAGES.—The term 'wages' means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid—

"(1) for services performed as a member of the military or naval forces of the United States, other than pensions and retired pay includible in gross income under Chapter 1, or

"(2) for agricultural labor (as defined in section 1426 (h)), or

"(3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, or

"(4) for casual labor not in the course of the employer's trade or business, or

"(5) for services by a citizen or resident of the United States for a foreign government or for the government of the Commonwealth of the Philippines, or

"(6) for services performed by a nonresident alien individual, other than a resident of a contiguous country who enters and leaves the United States at frequent intervals, or

"(7) for such services, performed by a nonresident alien individual who is a resident of a contiguous country and who enters and leaves the United States at frequent intervals, as may be designated by regulations prescribed by the Commissioner with the approval of the Secretary, or

"(8) for services for an employer performed by a citizen or resident of the United States while outside the United States (as defined in section 3797 (a) (9)) if the major part of the services for such employer during the calendar year is to be performed outside the United States, or

"(9) for services performed as a minister of the gospel.

For the purpose of paragraph (8) services performed on or in connection with an American vessel (as defined in section 1426 (g)) under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, or on or in connection with any vessel as an employee of the United States employed through the War Shipping Administration, shall not constitute services performed outside the United States.

“(b) **PAYROLL PERIOD.**—The term ‘payroll period’ means a period for which a payment of wages is ordinarily made to the employee by his employer, and the term ‘miscellaneous payroll period’ means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

“(c) **EMPLOYEE.**—The term ‘employee’ includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term ‘employee’ also includes an officer of a corporation.

“(d) **EMPLOYER.**—The term ‘employer’ means the person for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that—

“(1) if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term ‘employer’ (except for the purposes of subsection (a)) means the person having control of the payment of such wages; and

“(2) in the case of a person paying wages on behalf of a non-resident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, the term ‘employer’ (except for the purposes of subsection (a)) means such person.

“(e) **SINGLE PERSON.**—The term ‘single person’ means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that such person is single, or is married and not living with husband or wife, and is not the head of a family.

“(f) **MARRIED PERSON.**—The term ‘married person’ means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is married and living with husband or wife.

“(g) **MARRIED PERSON CLAIMING ALL OF PERSONAL EXEMPTION FOR WITHHOLDING.**—The term ‘married person claiming all of personal exemption for withholding’ means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims all of the personal exemption and that for the purposes of this subchapter his spouse is claiming none of the personal exemption.

“(h) **MARRIED PERSON CLAIMING HALF OF PERSONAL EXEMPTION FOR WITHHOLDING.**—The term ‘married person claiming half of the personal exemption for withholding’ means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that for the purposes of this subchapter such person claims half of the personal exemption and that for the purposes of this subchapter his spouse is claiming not more than half of such exemption.

“(i) **MARRIED PERSON CLAIMING NONE OF PERSONAL EXEMPTION FOR WITHHOLDING.**—The term ‘married person claiming none of the personal exemption for withholding’ means a married person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) making no claim with respect to the personal exemption for the purposes of this subchapter.

“(j) **HEAD OF FAMILY.**—The term ‘head of a family’ means a person with respect to whom a withholding exemption certificate is in effect under section 1622 (h) stating that he is the head of a family.

“(k) **DEPENDENT.**—The term ‘dependent’ means a person included in a withholding exemption certificate in effect under section 1622 (h) as a person dependent upon and receiving his chief support from the employee and either under eighteen years of age or incapable of self-support because mentally or physically defective.

“SEC. 1622. INCOME TAX COLLECTED AT SOURCE.

“(a) **REQUIREMENT OF WITHHOLDING.**—Every employer making payment of wages shall deduct and withhold upon such wages a tax equal to the greater of the following:

“(1) 20 per centum of the excess of each payment of such wages over the family status withholding exemption allowable under subsection (b) (1) (A), or

“(2) 3 per centum of the excess of each payment of such wages over the Victory tax withholding exemption allowable under subsection (b) (1) (B).

“(b) **WITHHOLDING EXEMPTION.**—

“(1) In computing the tax required to be deducted and withheld under subsection (a), there shall be allowed as a withholding exemption with respect to the wages paid for each payroll period—

“(A) in computing the tax required to be deducted and withheld under subsection (a) (1), a family status withholding exemption determined in accordance with the following schedule:

“Family Status Withholding Exemption

“Payroll period	Single person	Married person claiming whole of personal exemption for withholding or head of family	Married person claiming half of personal exemption for withholding	Married person claiming none of personal exemption for withholding	Each dependent, other than the first dependent in the case of the head of a family
Weekly.....	\$12	\$24	\$12	0	\$6
Biweekly.....	\$24	\$48	\$24	0	\$12
Semimonthly.....	\$26	\$52	\$26	0	\$13
Monthly.....	\$52	\$104	\$52	0	\$26
Quarterly.....	\$156	\$312	\$156	0	\$78
Semiannual.....	\$312	\$624	\$312	0	\$156
Annual.....	\$624	\$1, 248	\$624	0	\$312
Daily or miscellaneous (per day of such period).....	\$1. 70	\$3. 40	\$1. 70	0	\$. 85

“(B) in computing the tax required to be deducted and withheld under subsection (a) (2), a Victory tax withholding exemption determined in accordance with the following schedule:

“Payroll Period	Victory Tax Withholding Exemption
Weekly -----	\$12. 00
Biweekly -----	24. 00
Semimonthly -----	26. 00
Monthly -----	52. 00
Quarterly -----	156. 00
Semiannual -----	312. 00
Annual -----	624. 00
Daily or Miscellaneous (per day of such period) -----	1. 70

“(2) If wages are paid with respect to a period which is not a payroll period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days (including Sundays and holidays) equal to the number of days in the period with respect to which such wages are paid.

“(3) In any case in which wages are paid by an employer without regard to any payroll period or other period, the withholding exemption allowable with respect to each payment of such wages shall be the exemption allowed for a miscellaneous payroll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

“(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than one week, the Commissioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer, in computing the tax required to be deducted and withheld, to use the excess of the aggregate of the wages paid to the employee during the calendar week over the withholding exemption allowed by this subsection for a weekly payroll period.

“(5) In determining the amount to be deducted and withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

“(c) WAGE BRACKET WITHHOLDING.—

“(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a).

If the payroll period with respect to an employee is weekly

		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
And the wages are		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents						
				Or, (5) such person is head of a family and has—											
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of tax to be withheld shall be—											
				\$0	\$10	\$1.00									
10	15	2.50	\$1.30	\$0.10											
15	20	3.50	2.30	1.10	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20				
20	25	4.50	3.30	2.10	.90	.30	.30	.30	.30	.30	.30				
25	30	5.50	4.30	3.10	1.90	.70	.50	.50	.50	.50	.50				
30	40	7.00	5.80	4.60	3.40	2.20	1.00	.70	.70	.70	.70				
40	50	9.00	7.80	6.60	5.40	4.20	3.00	1.80	1.00	1.00	1.00				
50	60	11.00	9.80	8.60	7.40	6.20	5.00	3.80	2.60	1.40	1.30				
60	70	13.00	11.80	10.60	9.40	8.20	7.00	5.80	4.60	3.40	2.20				
70	80	15.00	13.80	12.60	11.40	10.20	9.00	7.80	6.60	5.40	4.20				
80	90	17.00	15.80	14.60	13.40	12.20	11.00	9.80	8.60	7.40	6.20				
90	100	19.00	17.80	16.60	15.40	14.20	13.00	11.80	10.60	9.40	8.20				
100	110	21.00	19.80	18.60	17.40	16.20	15.00	13.80	12.60	11.40	10.20				
110	120	23.00	21.80	20.60	19.40	18.20	17.00	15.80	14.60	13.40	12.20				
120	130	25.00	23.80	22.60	21.40	20.20	19.00	17.80	16.60	15.40	14.20				
130	140	27.00	25.80	24.60	23.40	22.20	21.00	19.80	18.60	17.40	16.20				
140	150	29.00	27.80	26.60	25.40	24.20	23.00	21.80	20.60	19.40	18.20				
150	160	31.00	29.80	28.60	27.40	26.20	25.00	23.80	22.60	21.40	20.20				
160	170	33.00	31.80	30.60	29.40	28.20	27.00	25.80	24.60	23.40	22.20				
170	180	35.00	33.80	32.60	31.40	30.20	29.00	27.80	26.60	25.40	24.20				
180	190	37.00	35.80	34.60	33.40	32.20	31.00	29.80	28.60	27.40	26.20				
190	200	39.00	37.80	36.60	35.40	34.20	33.00	31.80	30.60	29.40	28.20				
\$200 or over-----		20% of the excess over \$200 plus													
		\$40.00	\$38.80	\$37.60	\$36.40	\$35.20	\$34.00	\$32.80	\$31.60	\$30.40	\$29.20				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$1.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$200 or over, of the excess of the wages) over \$12, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is biweekly

		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
And the wages are		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents						
				Or, (5) such person is head of a family and has—											
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of tax to be withheld shall be—											
\$0	\$20	\$2.00													
20	30	5.00	\$2.60	\$0.20											
30	40	7.00	4.60	2.20	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30				
40	50	9.00	6.60	4.20	1.80	.60	.60	.60	.60	.60	.60				
50	60	11.00	8.60	6.20	3.80	1.40	.90	.90	.90	.90	.90				
60	80	14.00	11.60	9.20	6.80	4.40	2.00	1.40	1.40	1.40	1.40				
80	100	18.00	15.60	13.20	10.80	8.40	6.00	3.60	2.00	2.00	2.00				
100	120	22.00	19.60	17.20	14.80	12.40	10.00	7.60	5.20	2.80	2.60				
120	140	26.00	23.60	21.20	18.80	16.40	14.00	11.60	9.20	6.80	4.40				
140	160	30.00	27.60	25.20	22.80	20.40	18.00	15.60	13.20	10.80	8.40				
160	180	34.00	31.60	29.20	26.80	24.40	22.00	19.60	17.20	14.80	12.40				
180	200	38.00	35.60	33.20	30.80	28.40	26.00	23.60	21.20	18.80	16.40				
200	220	42.00	39.60	37.20	34.80	32.40	30.00	27.60	25.20	22.80	20.40				
220	240	46.00	43.60	41.20	38.80	36.40	34.00	31.60	29.20	26.80	24.40				
240	260	50.00	47.60	45.20	42.80	40.40	38.00	35.60	33.20	30.80	28.40				
260	280	54.00	51.60	49.20	46.80	44.40	42.00	39.60	37.20	34.80	32.40				
280	300	58.00	55.60	53.20	50.80	48.40	46.00	43.60	41.20	38.80	36.40				
300	320	62.00	59.60	57.20	54.80	52.40	50.00	47.60	45.20	42.80	40.40				
320	340	66.00	63.60	61.20	58.80	56.40	54.00	51.60	49.20	46.80	44.40				
340	360	70.00	67.60	65.20	62.80	60.40	58.00	55.60	53.20	50.80	48.40				
360	380	74.00	71.60	69.20	66.80	64.40	62.00	59.60	57.20	54.80	52.40				
380	400	78.00	75.60	73.20	70.80	68.40	66.00	63.60	61.20	58.80	56.40				
\$400 or over-----		20% of the excess over \$400 plus													
		\$80.00	\$77.60	\$75.20	\$72.80	\$70.40	\$68.00	\$65.60	\$63.20	\$60.80	\$58.40				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.40 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$24, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is semimonthly

And the wages are		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—										
					No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents			
					Or, (5) such person is head of a family and has—										
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of tax to be withheld shall be—											
				\$0	\$20	\$2.60	\$2.40								
20	30	5.00	4.40	\$1.80	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30				
30	40	7.00	6.40	3.80	1.20	.60	.60	.60	.60	.60	.60				
40	50	9.00	8.40	5.80	3.20	.90	.90	.90	.90	.90	.90				
50	60	11.00	11.40	8.80	6.20	3.60	1.30	1.30	1.30	1.30	1.30				
60	80	14.00	15.40	12.80	10.20	7.60	5.00	2.40	1.90	1.90	1.90				
80	100	18.00	19.40	16.80	14.20	11.60	9.00	6.40	3.80	2.50	2.50				
100	120	22.00	23.40	20.80	18.20	15.60	13.00	10.40	7.80	5.20	3.10				
120	140	26.00	27.40	24.80	22.20	19.60	17.00	14.40	11.80	9.20	6.60				
140	160	30.00	31.40	28.80	26.20	23.60	21.00	18.40	15.80	13.20	10.60				
160	180	34.00	35.40	32.80	30.20	27.60	25.00	22.40	19.80	17.20	14.60				
180	200	38.00	39.40	36.80	34.20	31.60	29.00	26.40	23.80	21.20	18.60				
200	220	42.00	43.40	40.80	38.20	35.60	33.00	30.40	27.80	25.20	22.60				
220	240	46.00	47.40	44.80	42.20	39.60	37.00	34.40	31.80	29.20	26.60				
240	260	50.00	51.40	48.80	46.20	43.60	41.00	38.40	35.80	33.20	30.60				
260	280	54.00	55.40	52.80	50.20	47.60	45.00	42.40	39.80	37.20	34.60				
280	300	58.00	59.40	56.80	54.20	51.60	49.00	46.40	43.80	41.20	38.60				
300	320	62.00	63.40	60.80	58.20	55.60	53.00	50.40	47.80	45.20	42.60				
320	340	66.00	67.40	64.80	62.20	59.60	57.00	54.40	51.80	49.20	46.60				
340	360	70.00	71.40	68.80	66.20	63.60	61.00	58.40	55.80	53.20	50.60				
360	380	74.00	75.40	72.80	70.20	67.60	65.00	62.40	59.80	57.20	54.60				
380	400	78.00													
\$400 or over-----		20% of the excess over \$400 plus													
		\$80.00	\$77.40	\$74.80	\$72.20	\$69.60	\$67.00	\$64.40	\$61.80	\$59.20	\$56.60				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$2.60 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages fall (or if the wages paid are \$400 or over, of the excess of the wages) over \$26, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is monthly

		And, (1) such person is a married person claiming none of personal exemption for withholding and has—													
And the wages are		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents				
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (3) such person is a single person and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents				
				Or, (4) such person is a married person claiming all of personal exemption for withholding and has—											
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents						
				Or, (5) such person is head of a family and has—											
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents						
				The amount of the tax to be withheld shall be—											
\$0	\$40	\$4.00													
40	50	9.00	\$3.80												
50	60	11.00	5.80	\$0.60	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10				
60	70	13.00	7.80	2.60	.40	.40	.40	.40	.40	.40	.40				
70	80	15.00	9.80	4.60	.70	.70	.70	.70	.70	.70	.70				
80	100	18.00	12.80	7.60	2.40	1.10	1.10	1.10	1.10	1.10	1.10				
100	120	22.00	16.80	11.60	6.40	1.70	1.70	1.70	1.70	1.70	1.70				
120	140	26.00	20.80	15.60	10.40	5.20	2.30	2.30	2.30	2.30	2.30				
140	160	30.00	24.80	19.60	14.40	9.20	4.00	2.90	2.90	2.90	2.90				
160	200	36.00	30.80	25.60	20.40	15.20	10.00	4.80	3.80	3.80	3.80				
200	240	44.00	38.80	33.60	28.40	23.20	18.00	12.80	7.60	5.00	5.00				
240	280	52.00	46.80	41.60	36.40	31.20	26.00	20.80	15.60	10.40	6.20				
280	320	60.00	54.80	49.60	44.40	39.20	34.00	28.80	23.60	18.40	13.20				
320	360	68.00	62.80	57.60	52.40	47.20	42.00	36.80	31.60	26.40	21.20				
360	400	76.00	70.80	65.60	60.40	55.20	50.00	44.80	39.60	34.40	29.20				
400	440	84.00	78.80	73.60	68.40	63.20	58.00	52.80	47.60	42.40	37.20				
440	480	92.00	86.80	81.60	76.40	71.20	66.00	60.80	55.60	50.40	45.20				
480	520	100.00	94.80	89.60	84.40	79.20	74.00	68.80	63.60	58.40	53.20				
520	560	108.00	102.80	97.60	92.40	87.20	82.00	76.80	71.60	66.40	61.20				
560	600	116.00	110.80	105.60	100.40	95.20	90.00	84.80	79.60	74.40	69.20				
600	640	124.00	118.80	113.60	108.40	103.20	98.00	92.80	87.60	82.40	77.20				
640	680	132.00	126.80	121.60	116.40	111.20	106.00	100.80	95.60	90.40	85.20				
680	720	140.00	134.80	129.60	124.40	119.20	114.00	108.80	103.60	98.40	93.20				
720	760	148.00	142.80	137.60	132.40	127.20	122.00	116.80	111.60	106.40	101.20				
760	800	156.00	150.80	145.60	140.40	135.20	130.00	124.80	119.60	114.40	109.20				
\$800 or over.		20% of the excess over \$800 plus													
		\$160.00	\$154.80	\$149.60	\$144.40	\$139.20	\$134.00	\$128.80	\$123.60	\$118.40	\$113.20				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$5.20 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the median wage in the bracket in which the wages paid fall (or if the wages paid are \$800 or over, of the excess of the wages) over \$52, computed, in case such amount is not a multiple of \$0.10, to the nearest multiple of \$0.10.

If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages divided by the number of days in such period are—		And, (1) such person is a married person claiming none of personal exemption for withholding and has—												
		No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents	Eight dependents	Nine dependents			
At least	But less than			Or, (2) such person is a married person claiming half of personal exemption for withholding and has—										
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents			
				Or, (3) such person is a single person and has—										
				No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents	Seven dependents			
					Or, (4) such person is a married person claiming all of personal exemption for withholding and has—									
					No dependents	One dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents			
					Or, (5) such person is head of a family and has—									
				No dependents or one dependent	Two dependents	Three dependents	Four dependents	Five dependents	Six dependents					
				The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period										
				\$0	\$1	\$0.10								
1	2	.30	\$0.15											
2	3	.50	.35	\$0.15										
3	4	.70	.55	.35	\$0.20	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05				
4	5	.90	.75	.55	.40	.20	.10	.10	.10	.10				
5	6	1.10	.95	.75	.60	.40	.25	.10	.10	.10				
6	7	1.30	1.15	.95	.80	.60	.45	.30	.15	.15				
7	8	1.50	1.35	1.15	1.00	.80	.65	.50	.35	.15				
8	9	1.70	1.55	1.35	1.20	1.00	.85	.70	.55	.20				
9	10	1.90	1.75	1.55	1.40	1.20	1.05	.90	.75	.35				
10	12	2.20	2.05	1.85	1.70	1.50	1.35	1.20	1.00	.65				
12	14	2.60	2.45	2.25	2.10	1.90	1.75	1.60	1.40	1.25				
14	16	3.00	2.85	2.65	2.50	2.30	2.15	2.00	1.80	1.65				
16	18	3.40	3.25	3.05	2.90	2.70	2.55	2.40	2.20	2.05				
18	20	3.80	3.65	3.45	3.30	3.10	2.95	2.80	2.60	2.45				
20	22	4.20	4.05	3.85	3.70	3.50	3.35	3.20	3.00	2.85				
22	24	4.60	4.45	4.25	4.10	3.90	3.75	3.60	3.40	3.25				
24	26	5.00	4.85	4.65	4.50	4.30	4.15	4.00	3.80	3.65				
26	28	5.40	5.25	5.05	4.90	4.70	4.55	4.40	4.20	4.05				
28	30	5.80	5.65	5.45	5.30	5.10	4.95	4.80	4.60	4.45				
\$30 or over-----		20% of the excess over \$30 plus												
		\$6.00	\$5.85	\$5.65	\$5.50	\$5.30	\$5.15	\$5.00	\$4.80	\$4.65				
										\$4.45				

If the number of dependents is in excess of the largest number of dependents shown, the amount of tax to be withheld shall be that applicable in the case of the largest number of dependents shown reduced by \$0.15 for each dependent over the largest number shown, except that in no event shall the amount to be withheld be less than 3 per centum of the excess of the product of the median wage in the bracket in which the wages fall and the number of days in the period (or if the wages paid are \$30 or over, of the excess of the wages) over the product of \$1.70 and the number of days in the period, computed, in case such amount is not a multiple of \$0.05, to the nearest multiple of \$0.05.

“(2) If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days (including Sundays and holidays) equal to the number of days in the period with respect to which such wages are paid.

“(3) In any case in which wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

“(4) In any case in which the period, or the time described in paragraph (3), in respect of any wages is less than one week, the Commissioner, under regulations prescribed by him with the approval of the Secretary, may authorize an employer to determine the amount to be deducted and withheld under the tables applicable in the case of a weekly payroll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

“(5) If the wages exceed the highest wage bracket, in determining the amount to be deducted and withheld under this subsection, the wages may, at the election of the employer, be computed to the nearest dollar.

“(d) **TAX PAID BY RECIPIENT.**—If the employer, in violation of the provisions of this subchapter, fails to deduct and withhold the tax under this subchapter, and thereafter the tax against which such tax may be credited is paid, the tax so required to be deducted and withheld shall not be collected from the employer; but this subsection shall in no case relieve the employer from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to deduct and withhold.

“(e) **NONDEDUCTIBILITY OF TAX IN COMPUTING NET INCOME.**—The tax deducted and withheld under this subchapter shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income for the purpose of any tax on income imposed by Act of Congress.

“(f) **REFUNDS OR CREDITS.**—

“(1) **EMPLOYERS.**—Where there has been an overpayment of tax under this subchapter, refund or credit shall be made to the employer only to the extent that the amount of such overpayment was not deducted and withheld under this subchapter by the employer.

“(2) **EMPLOYEES.**—For refund or credit in cases of excessive withholding, see section 322 (a).

“(g) INCLUDED AND EXCLUDED WAGES.—If the remuneration paid by an employer to an employee for services performed during one-half or more of any payroll period of not more than thirty-one consecutive days constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than one-half of any such payroll period does not constitute wages, then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

“(h) WITHHOLDING EXEMPTION CERTIFICATES.—Every employee receiving wages shall furnish his employer a signed withholding exemption certificate relating to his status for the purpose of computing the withholding exemption, or if the employer exercises his election under section 1622 (c) (relating to wage bracket withholding), for the purpose of computing the amount to be deducted and withheld under such subsection. In case of a change of status, a new certificate shall be furnished not later than ten days after such change occurs. The certificate shall be in such form and contain such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe. Such certificate—

“(1) If furnished after the date of commencement of employment with the employer by reason of a change of status, shall take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least thirty days from the date on which such certificate is furnished to the employer, except that at the election of the employer such certificate may be made effective with respect to any previous payment of wages made on or after the date of the furnishing of such certificate. For the purposes of this paragraph the term ‘status determination date’ means January 1 and July 1 of each year.

“(2) If furnished otherwise than by reason of a change of status, shall take effect as of the beginning of the first payroll period ending, or the first payment of wages made without regard to a payroll period, on or after the date on which such certificate is furnished to the employer.

A certificate which takes effect under this subsection shall continue in effect with respect to the employer until another such certificate furnished by the employee takes effect under this subsection. If no certificate is in effect under this subsection with respect to an employee, such employee shall be treated, for the purposes of the withholding exemption, or in case the employer exercises his election under section 1622 (c) (relating to wage bracket withholding), for the purpose of computing the amount to be deducted and withheld under such subsection, as a married person claiming none of the personal exemption for withholding and having no dependents.

“(i) OVERLAPPING PAY PERIODS, AND SO FORTH.—If a payment of wages is made to an employee by an employer—

“(1) with respect to a payroll period or other period, any part of which is included in a payroll period or other period with respect to which wages are also paid to such employee by such employer, or

"(2) without regard to any payroll period or other period, but on or prior to the expiration of a payroll period or other period with respect to which wages are also paid to such employee by such employer, or

"(3) with respect to a period beginning in one and ending in another calendar year, or

"(4) through an agent, fiduciary, or other person who also has the control, receipt, custody, or disposal of, or pays, the wages payable by another employer to such employee,

the manner of withholding and the amount to be deducted and withheld under this subchapter shall be determined in accordance with regulations prescribed by the Commissioner with the approval of the Secretary under which the withholding exemption allowed to the employee in any calendar year shall approximate the withholding exemption allowable with respect to an annual payroll period.

"(j) **WITHHOLDING ON BASIS OF AVERAGE WAGES.**—The Commissioner may, under regulations prescribed by him with the approval of the Secretary, authorize employers (1) to estimate the wages which will be paid to any employee in any quarter of the calendar year, (2) to determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid, and (3) to deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually deducted and withheld upon the wages of such employee during such quarter to the amount required to be deducted and withheld during such quarter without regard to this subsection.

"SEC. 1623. LIABILITY FOR TAX.

"The employer shall be liable for the payment of the tax required to be deducted and withheld under this subchapter, and shall not be liable to any person for the amount of any such payment.

"SEC. 1624. RETURN AND PAYMENT BY GOVERNMENTAL EMPLOYER.

"If the employer is the United States, or a State, Territory, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, Territory, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose.

"SEC. 1625. RECEIPTS.

"(a) **REQUIREMENT.**—Every employer required to deduct and withhold a tax in respect of the wages of an employee shall furnish to each such employee in respect of his employment during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on

the day on which the last payment of wages is made, a written statement showing the wages paid by the employer to such employee during such calendar year, and the amount of the tax deducted and withheld under this subchapter in respect of such wages.

“(b) **STATEMENTS TO CONSTITUTE INFORMATION RETURNS.**—The statements required to be furnished by this section in respect of any wages shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe. A duplicate of such statement if made and filed in accordance with regulations prescribed by the Commissioner with the approval of the Secretary shall constitute the return required to be made in respect of such wages under section 147.

“(c) **EXTENSION OF TIME.**—The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any employer a reasonable extension of time (not in excess of thirty days) with respect to the statements required to be furnished under this section.

“SEC. 1626. PENALTIES.

“(a) **PENALTIES FOR FRAUDULENT RECEIPT OR FAILURE TO FURNISH RECEIPT.**—In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof be fined not more than \$1,000, or imprisoned for not more than one year, or both.

“(b) **ADDITIONAL PENALTY.**—In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 1625 to furnish a receipt in respect of tax withheld pursuant to this subchapter who willfully furnishes a false or fraudulent receipt, or who willfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 1625, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of not more than \$50.

“(c) **FAILURE OF EMPLOYER TO FILE RETURN OR PAY TAX.**—In case of any failure to make and file return or pay the tax required by this subchapter, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not due to willful neglect, the addition to the tax shall not be less than \$10.

“(d) **PENALTIES IN RESPECT OF WITHHOLDING EXEMPTION CERTIFICATES.**—Any individual required to supply information to his employer under section 1622 (h) who willfully supplies false or fraudulent information, or who willfully fails to supply information thereunder which would require an increase in the tax to be withheld under section 1622, shall, in lieu of any penalty otherwise provided, upon conviction thereof, be fined not more than \$500, or imprisoned for not more than one year, or both.

"SEC. 1627. OTHER LAWS APPLICABLE.

"All provisions of law, including penalties, applicable with respect to the tax imposed by section 1400 shall, insofar as applicable and not inconsistent with the provisions of this subchapter, be applicable with respect to the tax under this subchapter.

"SUBCHAPTER E—GENERAL PROVISIONS**"SEC. 1630. VERIFICATION OF RETURNS, ETC.**

"(a) **POWER OF COMMISSIONER TO REQUIRE.**—The Commissioner, under regulations prescribed by him with the approval of the Secretary, may require that any return, statement, or other document required to be filed under this chapter shall contain or be verified by a written declaration that it is made under the penalties of perjury, and such declaration shall be in lieu of any oath otherwise required.

"(b) **PENALTIES.**—Every person who willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter, shall be guilty of a felony, and, upon conviction thereof, shall be subject to the penalties prescribed for perjury in section 125 of the Criminal Code.

"SEC. 1631. USE OF GOVERNMENT DEPOSITARIES IN CONNECTION WITH PAYMENT OF TAXES.

"The Secretary may authorize incorporated banks or trust companies which are depositaries or financial agents of the United States to receive any taxes under this chapter in such manner, at such times, and under such conditions as he may prescribe; and he shall prescribe the manner, times, and conditions under which the receipt of such taxes by such depositaries and financial agents is to be treated as payment of such taxes to the collectors.

"SEC. 1632. ACTS TO BE PERFORMED BY AGENTS.

"In case a fiduciary, agent or other person has the control, receipt, custody, or disposal of, or pays the wages of an employee or group of employees, employed by one or more employers, the Commissioner, under regulations prescribed by him with the approval of the Secretary, is authorized to designate such fiduciary, agent or other person to perform such acts as are required of employers under this chapter and as the Commissioner may specify. Except as may be otherwise prescribed by the Commissioner with the approval of the Secretary, all provisions of law (including penalties) applicable in respect of an employer shall be applicable to a fiduciary, agent or other person so designated but, except as so provided, the employer for whom such fiduciary, agent or other person acts shall remain subject to the provisions of law (including penalties) applicable in respect of employers."

(b) TECHNICAL AMENDMENTS.—

(1) **AMENDMENT TO SECTION 34.**—Section 34 of the Internal Revenue Code (cross reference) is amended by striking out “453, 454, and 466 (e)” and inserting in lieu thereof “453 and 454”.

(2) **AMENDMENT TO SECTION 322.**—Section 322 (f) of the Internal Revenue Code (cross reference) is amended to read as follows:

“(f) **TAX WITHHELD AT SOURCE.**—For refund or credit in case of withholding agent, see section 143 (f). For refund or credit in case of employer required to deduct and withhold tax on wages, see section 1622 (f).”

(c) **EXPIRATION DATE FOR WITHHOLDING AT SOURCE ON WAGES UNDER SUBCHAPTER D OF CHAPTER 1.**—Section 476 of the Internal Revenue Code (prescribing the expiration date for the taxes imposed by Subchapter D) is amended to read as follows:

“SEC. 476. EXPIRATION DATE.

“The tax imposed by Part I of this subchapter shall not apply with respect to any taxable year commencing after the date of cessation of hostilities in the present war. The tax imposed by Part II of such subchapter shall not apply with respect to any wages paid after June 30, 1943, unless paid during the calendar year 1943 with respect to a payroll period beginning on or before such date.”

(d) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall take effect July 1, 1943, and shall be applicable to all wages paid on or after such date, except that such amendments shall not be applicable to wages paid during the calendar year 1943 with respect to a payroll period beginning before such date.

SEC. 3. CREDIT FOR TAX WITHHELD AT SOURCE.

Section 35 of the Internal Revenue Code (relating to the credit for tax withheld on wages) is amended to read as follows:

“SEC. 35. CREDIT FOR TAX WITHHELD ON WAGES.

“The amount deducted and withheld as tax under Subchapter D of Chapter 9 during any calendar year upon the wages of any individual shall be allowed as a credit to the recipient of the income against the tax imposed by this chapter for the taxable year beginning in such calendar year. If more than one taxable year begins in any such calendar year such amount shall be allowed as a credit against the tax for the last taxable year so beginning.”

SEC. 4. REFUNDS.

(a) **EXCESSIVE WITHHOLDING, ETC.**—Section 322 (a) (2) of the Internal Revenue Code (relating to excessive withholding) is amended to read as follows:

“(2) **EXCESSIVE WITHHOLDING.**—Where the amount of the tax withheld at the source under Part II of Subchapter D or Subchapter D of Chapter 9 exceeds the taxes imposed by this chapter

against which the tax so withheld may be credited under section 35 or 466 (e), the amount of such excess shall be considered an overpayment.

“(3) CREDITS AGAINST ESTIMATED TAX.—The Commissioner is authorized to prescribe, with the approval of the Secretary, regulations providing for the crediting against the estimated tax for any taxable year of the amount determined by the taxpayer or the Commissioner to be an overpayment of the tax for a preceding taxable year.”

(b) PRESUMPTION AS TO DATE OF PAYMENT.—Section 322 (e) of the Internal Revenue Code (relating to presumption as to date of payment) is amended to read as follows:

“(e) PRESUMPTION AS TO DATE OF PAYMENT.—For the purposes of this section, any tax actually deducted and withheld at the source during any calendar year under Part II of Subchapter D or under Subchapter D of Chapter 9 shall, in respect of the recipient of the income, be deemed to have been paid by him not earlier than the fifteenth day of the third month following the close of his taxable year with respect to which such tax is allowable as a credit under section 35 or section 466 (e). For the purposes of this section, any amount paid as estimated tax for any taxable year shall be deemed to have been paid not earlier than the fifteenth day of the third month following the close of such taxable year.”

(c) DELEGATION OF AUTHORITY TO COLLECTORS TO MAKE REFUNDS.—Section 3770 (a) of the Internal Revenue Code (relating to authority to make refunds) is amended (1) by striking out “(4)” at the beginning of paragraph (4) and inserting in lieu thereof “(5)”; and (2) by inserting after paragraph (3) the following:

“(4) DELEGATION OF AUTHORITY TO COLLECTORS TO MAKE REFUNDS.—The Commissioner is authorized to delegate, with the approval of the Secretary, to collectors any authority, duty, or function which the Commissioner is authorized or required to exercise or perform under paragraph (1), (2), or (3) of this subsection, or under section 322 or 1027, where the amount involved (exclusive of interest, penalties, additions to the tax, and additional amounts) does not exceed \$1,000.”

(d) OVERPAYMENTS.—Section 3770 of the Internal Revenue Code (relating to authority to make credits and refunds) is amended by inserting at the end thereof the following:

“(c) RULE WHERE NO TAX LIABILITY.—An amount paid as tax shall not be considered not to constitute an overpayment solely by reason of the fact that there was no tax liability in respect of which such amount was paid.”

(e) CROSS-REFERENCE.—The last subsection of section 3771 of the Internal Revenue Code (relating to interest on overpayments) is amended to read as follows:

“(f) ESTIMATED TAX AND TAX WITHHELD AT SOURCE.—For date of payment in respect of estimated tax and of tax withheld at source on wages, see section 322 (e).”

(f) **REVIEW OF ALLOWANCE OF INTEREST.**—Section 3790 of the Internal Revenue Code (prohibiting administrative review of Commissioner's decisions) is amended by inserting at the end thereof the following: "In the absence of fraud or mistake in mathematical calculation, the allowance or nonallowance by the Commissioner, of interest on any credit or refund under the internal revenue laws shall not, except as provided in Chapter 5, be subject to review by any other administrative or accounting officer, employee, or agent of the United States."

SEC. 5. CURRENT PAYMENT OF TAX NOT WITHHELD AT SOURCE.

(a) **IN GENERAL.**—The Internal Revenue Code is amended by striking out sections 58, 59, and 60 and inserting in lieu thereof the following:

"SEC. 58. DECLARATION OF ESTIMATED TAX BY INDIVIDUALS.

"(a) **REQUIREMENT OF DECLARATION.**—Every individual (other than an estate or trust and other than a nonresident alien with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable) shall, at the time during the taxable year prescribed in subsection (d), make a declaration of his estimated tax for the taxable year if—

"(1) his gross income from wages (as defined in section 1621)

"(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$2,700 for the taxable year; or did exceed \$2,700 for the preceding taxable year; or

"(B) in case such individual is married and living with husband or wife: can, when added to the gross income which can reasonably be expected to be received by such husband or wife from wages (as so defined), reasonably be expected to exceed \$3,500 for the taxable year; or did when added to the gross income of such husband or wife from wages (as so defined) for the preceding taxable year, exceed \$3,500 for such preceding taxable year; or

"(2) his gross income from sources other than wages (as defined in section 1621)

"(A) in case such individual is single or married but not living with husband or wife: can reasonably be expected to exceed \$100 for the taxable year and his gross income to be such as will require the making of a return for the taxable year under section 51; or did exceed \$100 for the preceding taxable year and such individual either was required to make a return under section 51 or 455 for such preceding taxable year or would have been so required if he had been single during the whole of such preceding taxable year; or

"(B) in case such individual is married and living with husband or wife: can, when added to the gross income which can reasonably be expected to be received by husband or wife from such sources, reasonably be expected to exceed \$100 for

the taxable year and the aggregate gross income of such husband and wife can reasonably be expected to be such as will require the making of a return under section 51 or 455; or did, when added to the gross income of such husband or wife from such sources for the preceding taxable year, exceed \$100 for such preceding taxable year and such individual would have been required to make a return under section 51 or 455 for such preceding taxable year if he had been married and living with husband or wife during the whole of such preceding taxable year; or

“(3) in case such taxable year is the taxable year beginning in 1943, such individual was required to make a return under section 51 for the taxable year beginning in 1942, and his gross income from wages (as defined in section 1621) for such taxable year is greater than the gross income which can reasonably be expected to be received from wages for the taxable year beginning in 1943.

“(b) **CONTENTS OF DECLARATION.**—In the declaration required under subsection (a) the individual shall state—

“(1) the amount which he estimates as the amount of tax under this chapter for the taxable year, without regard to any credits under sections 32, 35, and 466 (e);

“(2) the amount which he estimates as the credits for the taxable year under sections 32, 35, and 466 (e); and

“(3) the excess of the amount estimated under paragraph (1) over the amount estimated under paragraph (2), which excess for the purposes of this chapter shall be held and considered the estimated tax for the taxable year.

The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

“(c) **JOINT DECLARATION BY HUSBAND AND WIFE.**—In the case of a husband and wife living together, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint return is not made for the taxable year, the estimated tax for such year may be treated as the estimated tax of either the husband or the wife, or may be divided between them.

“(d) **TIME AND PLACE FOR FILING.**—The declaration required under subsection (a) shall be filed on or before the fifteenth day of the third month of the taxable year, except that if the requirements of subsection (a) are first met after such date, the declaration shall be filed on or before the fifteenth day of the last month of the quarter of the taxable year in which such requirements are first met. An individual may make amendments or revisions of a declaration filed under this subsection, under regulations prescribed by the Commissioner with the approval of the Secretary. If so made, such amendments or revisions

shall be filed on or before the fifteenth day of the last month of any quarter of the taxable year subsequent to that in which the declaration was filed and in which no previous amendments or revisions have been made or filed. Declarations and amendments and revisions thereof shall be filed with the Collector specified in section 53 (b) (1).

“(e) **EXTENSION OF TIME.**—The Commissioner may grant a reasonable extension of time for filing declarations and paying the estimated tax, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than six months.

“(f) **PERSONS UNDER DISABILITY.**—If the taxpayer is unable to make his own declaration, the declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

“(g) **SIGNATURE PRESUMED CORRECT.**—The fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

“(h) **PUBLICITY OF DECLARATION.**—For the purposes of section 55 (relating to publicity of returns), a declaration of estimated tax shall be held and considered a return under this chapter.

“SEC. 59. PAYMENT OF ESTIMATED TAX.

“(a) **IN GENERAL.**—The estimated tax shall be paid in four equal installments except that—

“(1) if the declaration is filed (otherwise than pursuant to an extension of time) after the fifteenth day of the third month of the taxable year, the estimated tax shall be paid in equal installments the number of which is equal to the number of quarters remaining in the taxable year (including the quarter in which the declaration is filed); and

“(2) if any amendment or revision of a declaration is filed, the remaining installments shall be ratably increased or decreased, as the case may be, to reflect the increase or decrease, as the case may be, in the estimated tax by reason of such amendment or revision; and

“(3) at the election of the individual, any installment of the estimated tax may be paid prior to the date prescribed for its payment.

One installment of the estimated tax shall be paid at the time of making the declaration, and an installment thereof shall be paid on the fifteenth day of the last month of each succeeding quarter of the taxable year. Payment of any installment of the estimated tax shall be considered payment on account of the tax for the taxable year.

“(b) **ASSESSMENT.**—The estimated tax shall be assessed only to the extent paid.

“SEC. 60. SPECIAL RULES FOR APPLICATION OF SECTIONS 58 AND 59.

“(a) **FARMERS.**—In the case of an individual whose estimated gross income from farming for the taxable year is at least 80 per centum

of the total estimated gross income from all sources for the taxable year, in lieu of the time prescribed in section 58⁷(d), the declaration for the taxable year may be made at any time on or before the fifteenth day of the last month of the taxable year.

“(b) APPLICATION TO SHORT TAXABLE YEARS.—The application of sections 58, 59, and 294 (a) (3), (4), and (5) to taxable years of less than twelve months shall be as prescribed in regulations prescribed by the Commissioner with the approval of the Secretary.

“(c) APPLICATION TO TAXABLE YEARS BEGINNING IN 1943.—If the taxable year is the calendar year 1943, the fifteenth day of September, 1943, shall be substituted for the fifteenth day of March for the purposes of section 58 (d). If the taxable year begins in 1943 after January 1, the date which shall be substituted for the fifteenth day of the third month of the taxable year for the purposes of section 58 (d) shall be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary. In either case installments of the estimated tax for such taxable year payable after September 1, 1943, shall be ratably decreased to reflect the payments on account of a taxable year beginning in 1942 which are treated as payments on account of the estimated tax for a taxable year beginning in 1943.”

(b) ADDITIONS TO TAX.—Section 294 (a) of the Internal Revenue Code (relating to additions to tax in case of nonpayment) is amended by inserting at the end thereof the following:

“(3) FAILURE TO FILE DECLARATION OF ESTIMATED TAX.—In the case of a failure to make and file a declaration of estimated tax within the time prescribed, there shall be added to the tax an amount equal to 10 per centum of the tax.

“(4) FAILURE TO PAY INSTALLMENT OF ESTIMATED TAX.—In the case of the failure to pay an installment of the estimated tax within the time prescribed, there shall be added to the tax \$2.50 or 2½ per centum of the tax, whichever is the greater, for each installment with respect to which such failure occurs.

“(5) SUBSTANTIAL UNDERESTIMATE OF ESTIMATED TAX.—If 80 per centum of the tax (determined without regard to the credits under sections 32, 35, and 466 (e)), in the case of individuals other than farmers exercising an election under section 60 (a), or 66⅔ per centum of such tax so determined in the case of such farmers, exceeds the estimated tax (increased by such credits), there shall be added to the tax an amount equal to such excess, or equal to 6 per centum of the amount by which such tax so determined exceeds the estimated tax so increased, whichever is the lesser. This paragraph shall not apply to the taxable year in which falls the death of the taxpayer.”

(c) PENALTIES.—Section 145 (a) of the Internal Revenue Code (relating to criminal penalties) is amended (1) by inserting after “return” wherever appearing therein the words “or declaration”, and (2) by inserting before “tax” wherever appearing therein the words “estimated tax or”.

(d) PAYMENT BY INSTALLMENTS.—Section 56 (b) of the Internal Revenue Code (relating to installment payments) is amended by strik-

ing out "The" at the beginning thereof and inserting in lieu thereof "Except in the case of an individual (other than an estate or trust and other than a nonresident alien with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable), the".

(e) **DATE FOR MAKING RETURN BY CERTAIN NONRESIDENT ALIENS.—**

(1) Section 217 (a) of the Internal Revenue Code (relating to returns by nonresident aliens) is amended by inserting after "In the case of a nonresident alien individual" the following: "with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable,".

(2) Section 218 (a) of the Internal Revenue Code (relating to payment of tax by nonresident aliens) is amended by inserting after "In the case of a nonresident alien individual" the following: "with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable,".

(f) **TAXABLE YEARS TO WHICH APPLICABLE.—**The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1942, except that section 294 (a) (5) of the Internal Revenue Code shall not be applicable to a taxable year beginning in 1943 in the case of an individual not required to make a declaration under section 58 of the Internal Revenue Code for such year.

SEC. 6. RELIEF FROM DOUBLE PAYMENTS IN 1943.

(a) **TAX FOR 1942 NOT GREATER THAN TAX FOR 1943.—**In case the tax imposed by Chapter 1 of the Internal Revenue Code upon any individual (other than an estate or trust and other than a nonresident alien not subject to the provisions of sections 58, 59, and 60 of such chapter) for the taxable year 1942 (determined without regard to this section, without regard to interest or additions to the tax, and without regard to credits against the tax for amounts withheld at source) is not greater than the tax for the taxable year 1943 (similarly determined), the liability of such individual for the tax imposed by such chapter for the taxable year 1942 shall be discharged as of September 1, 1943, except that interest and additions to such tax shall be collected at the same time and in the same manner as, and as a part of, the tax under such chapter for the taxable year 1943. In such case if the tax for the taxable year 1942 (determined without regard to this section and without regard to interest or additions to the tax) is more than \$50, the tax under such chapter for the taxable year 1943 shall be increased by an amount equal to 25 per centum of the tax for the taxable year 1942 (so determined) or the excess of such tax (so determined) over \$50, whichever is the lesser. This subsection shall not apply in any case in which the taxpayer is convicted of any criminal offense with respect to the tax for the taxable year 1942 or in which additions to the tax for such taxable year are applicable by reason of fraud.

(b) **TAX FOR 1942 GREATER THAN TAX FOR 1943.**—In case the tax imposed by Chapter 1 of the Internal Revenue Code upon any individual (other than an estate or trust and other than a nonresident alien not subject to the provisions of sections 58, 59, and 60 of such chapter) for the taxable year 1942 (determined without regard to this section, without regard to interest or additions to the tax, and without regard to credits against the tax for amounts withheld at source) is greater than the tax for the taxable year 1943 (similarly determined), the liability of such individual for the tax imposed by such chapter for the taxable year 1942 shall be discharged as of September 1, 1943, except that interest and additions to such tax shall be collected at the same time and in the same manner as, and as a part of, the tax under such chapter for the taxable year 1943. In such case the tax under such chapter for the taxable year 1943 shall be increased by—

(1) the amount by which the tax imposed by such chapter for the taxable year 1942 (determined without regard to this section and without regard to interest and additions to such tax) exceeds the tax imposed by such chapter for the taxable year 1943 (determined without regard to this section, without regard to interest and additions to such tax, and without regard to credits against such tax under section 466 (e) or under section 35 of such chapter), plus

(2) if the tax for the taxable year 1943 (determined without regard to this section, without regard to interest or additions to the tax, and without regard to credits against such tax under section 466 (e) or under section 35 of such chapter) is more than \$50, an amount equal to 25 per centum of the tax for the taxable year 1943 (so determined) or the excess of such tax (so determined) over \$50, whichever is the lesser. Such amount shall in no case exceed 25 per centum of the tax for the taxable year 1942 (determined without regard to this section and without regard to interest and additions to such tax) or the excess of such tax (so determined) over \$50, whichever is the lesser.

This subsection shall not apply in any case in which the taxpayer is convicted of any criminal offense with respect to the tax for the taxable year 1942 or in which additions to the tax for such taxable year are applicable by reason of fraud. An individual who becomes subject to tax for the taxable year 1943 under this subsection shall be an individual required to make a return for the taxable year 1943 under section 51 of the Internal Revenue Code.

(c) **ADDITIONAL INCREASE IN 1943 TAX WHERE INCREASED INCOME.**—

(1) **TAX FOR 1942 NOT GREATER THAN THAT FOR 1943.**—In the case of a taxpayer whose liability for the tax for the taxable year 1942 is discharged under subsection (a), and whose surtax net income for the base year plus \$20,000 is less than that for the taxable year 1942, the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1943 shall be increased by the excess of 75 per centum of the tax imposed by such chapter for the taxable year 1942 (determined without regard to this section and without regard to interest and additions to the tax) over a

tentative tax computed as if the portion of the surtax net income for the taxable year 1942 which is not greater than the sum of the surtax net income for the base year plus \$20,000 constituted both the surtax net income for the taxable year 1942, and the net income for such taxable year after allowance of all credits against net income;

(2) **TAX FOR 1942 GREATER THAN THAT FOR 1943.**—In the case of a taxpayer whose liability for the tax for the taxable year 1942 is discharged under subsection (b) and whose surtax net income for the base year plus \$20,000 is less than that for the taxable year 1943, the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1943 shall be increased by the excess of 75 per centum of the tax imposed by such chapter for the taxable year 1943 (determined without regard to this section and without regard to interest and additions to the tax) over a tentative tax for the taxable year 1943 computed as if the portion of the surtax net income for such taxable year which is not greater than the sum of the surtax net income for the base year plus \$20,000 constituted both the surtax net income for the taxable year 1943, and the net income for such taxable year after allowance of all credits against net income.

For the purposes of this subsection "base year" means any one of the taxable years 1937, 1938, 1939, or 1940, to be selected by the taxpayer.

(d) **RULES FOR APPLICATION OF SUBSECTIONS (A), (B), AND (C).**—

(1) **APPLICATION OF SUBSECTION (B) TO MEMBERS OF ARMED FORCES.**—If the taxpayer is in active service in the military or naval forces of the United States or any of the other United Nations at any time during the taxable year 1942 or 1943, the increase in the tax for the taxable year 1943 under subsection (b) (1) shall be reduced by an amount equal to the amount by which the tax for the taxable year 1942 (determined without regard to this section) is increased by reason of the inclusion in the net income for the taxable year 1942 of the amount of the earned net income (as defined in section 25 (a) (4)).

(2) **JOINT RETURNS.**—If the taxpayer either for the taxable year 1942 or for the taxable year 1943 makes a joint return with his spouse, the taxes of the spouses for the taxable year for which a joint return is not made shall be aggregated for the purposes of subsections (a), (b), and (c), and in case the taxable year for which a joint return is not made is the taxable year 1943, the liability for the increase in the tax for the taxable year 1943 under subsections (b) and (c), shall be joint and several.

(3) **FOREIGN TAX CREDIT AND APPLICATION OF SECTIONS 105, 106, AND 107.**—The credit against the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1943 allowed by section 31 of such chapter (relating to taxes of foreign countries and of possessions of the United States), shall be determined without regard to subsections (a), (b), and (c). Sections 105, 106, and 107 of such chapter (relating to limitations on tax) shall be applied without regard to subsections (a), (b), and (c).

(4) **SECTION 107 INCOME ATTRIBUTED TO BASE YEAR.**—That portion of the compensation which is received or accrued in the taxable year 1942 (if the tax for such year is not greater than that for the taxable year 1943), or in the taxable year 1943 (if the tax for such year is less than that for the taxable year 1942), and which under section 107 of the Internal Revenue Code is attributed to the base year, shall for the purposes of subsection (c) be excluded in computing the surtax net income for the taxable year 1942 or 1943, as the case may be, and be included in computing the surtax net income for the base year.

(5) **PARTNERSHIP BUSINESS FORMERLY OPERATED AS CORPORATION.**—If, during the base year of any individual, such individual was a shareholder in a corporation and if substantially all of the assets of such corporation were at any time prior to May 1, 1943, acquired by such individual or a partnership of which he is a partner pursuant to the complete liquidation of such corporation, and if at all times after such liquidation up to and including the taxable year 1942 (if subsection (a) is applicable) or the taxable year 1943 (if subsection (b) is applicable) the trade or business of such corporation was carried on by such individual or partnership, for the purposes of subsection (c) such individual may compute his surtax net income for the base year as if the earnings and profits of the corporation for the taxable year ending with or within the base year had all been distributed as dividends at the end of such taxable year. If the interest of such individual in the partnership is proportionately less than his interest in the corporation, his distributive share of such dividends shall for the purposes of this paragraph be adjusted to reflect such difference.

(6) **CERTAIN PORTIONS OF INCREASE IN 1943 TAX NOT PART OF ESTIMATED TAX.**—The amount by which the tax for the taxable year 1943 is increased under subsection (a), (b) (2), or (c) shall not be considered to be a part of the tax for such taxable year for the purposes of sections 58, 59, 60, and 294 (a) (3), (4), and (5) of the Internal Revenue Code.

(7) **TAXPAYER DYING IN TAXABLE YEAR 1942.**—If the individual dies during the taxable year 1942, subsections (a), (b), and (c) shall not apply.

(e) **EXTENSION OF TIME FOR PAYMENT OF PORTIONS OF INCREASE IN 1943 TAX.**—

(1) **TWENTY-FIVE PER CENTUM INCREASE UNDER SUBSECTION (A) OR (B).**—At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall, except as hereinafter provided, extend the time for the payment of the portion of the tax for the taxable year 1943 equal to one-half of the amount of the 25 per centum increase therein under subsection (a) or (b) (2) for the taxable year 1943, in which case such portion shall be paid on or before the fifteenth day of the fifteenth month following the close of the taxable year. The Commissioner may condition the exten-

sion upon the furnishing by the taxpayer of a bond in such amount, not exceeding the amount with respect to which the extension applies, with such surety or sureties, as the Commissioner deems necessary, conditioned upon the payment of such amount in accordance with the terms of the extension. If such amount is not paid on or before the date on which it is payable, it shall be paid upon notice and demand from the Collector. If such amount is not paid on or before the date on which it is payable, there shall be collected, as a part of the tax, interest on such amount at the rate of 6 per centum per annum for the period beginning with the date on which such amount is payable and ending with the date on which it is paid.

(2) INCREASE UNDER SUBSECTION (C).—At the election of the taxpayer, made under regulations prescribed by the Commissioner with the approval of the Secretary, the Commissioner shall, except as hereinafter provided, extend the time for the payment of the portion of the tax for the taxable year 1943 equal to the increase therein under subsection (c), in which case such portion shall be paid in four equal annual installments, the first of which shall be paid on the fifteenth day of the fifteenth month following the close of the taxable year, and of the remaining installments one of which shall be paid on the last day of each succeeding twelve-month period, except that any installment may be paid prior to the date prescribed for its payment. The Commissioner may condition the extension upon the furnishing by the taxpayer of a bond in such amount, not exceeding the amount of such increase, with such surety or sureties, as the Commissioner deems necessary, conditioned upon the payment of such amount in accordance with the terms of the extension. If the time for the payment of such portion is extended, there shall be collected, as a part of the tax, interest on each installment at the rate of 4 per centum per annum for the period beginning with the date prescribed for the payment of the tax for such taxable year and ending with the date on which such installment is paid or the date on which it is payable, whichever is the earlier. If any installment is not paid on or before the date on which it is payable, it and the remaining installments shall be paid upon notice and demand from the Collector. If any installment is not paid on or before the date on which it is payable, there shall be collected, as part of the tax, interest on such installment at the rate of 6 per centum per annum for the period beginning with the date on which such installment is payable and ending with the date on which it is paid.

(f) TREATMENT OF PAYMENTS ON ACCOUNT OF 1942 TAX.—Any payment (other than interest and additions to the tax) made on account of the tax imposed by Chapter 1 of the Internal Revenue Code for the taxable year 1942 upon a taxpayer whose liability for such tax is discharged under subsection (a) or (b) shall be considered as payment on account of the estimated tax for the taxable year 1943. In the case of any extension of time for the payment of such tax granted by the Commissioner prior to September 1, 1943, payment of

the portion thereof which if such extension had not been granted would have been payable under section 56 (b) prior to such date shall be made notwithstanding subsection (a) or (b), but the foregoing provisions of this subsection shall apply to any such payment. In case the taxpayer becomes delinquent, prior to September 1, 1943, in the payment of such tax or any installment thereof, subsection (a) or (b) shall not relieve the taxpayer of his liability for the tax, but the foregoing provisions of this subsection shall be applicable to payment of such liability. If any payment on account of the tax imposed by such chapter for the taxable year 1942 is made pursuant to a joint return made by husband and wife for such taxable year, and such payment is considered as a payment on account of the estimated tax for the taxable year 1943, such payment may be treated as a payment on account of the estimated tax of either the husband or the wife for such taxable year or may be divided between them.

(g) **USE OF TERM "TAXABLE YEAR".**—For the purposes of this section the terms "taxable year 1937", "taxable year 1938", "taxable year 1939", "taxable year 1940", "taxable year 1942", and "taxable year 1943" mean, respectively, the taxable year beginning in 1937, 1938, 1939, 1940, 1942, and 1943, respectively; and "taxable year" as applied to the taxable year 1942 or 1943 shall not include any period of less than twelve months unless occasioned by the death of the taxpayer or unless there is no taxable year of twelve months beginning in such calendar year.

(h) **REGULATIONS.**—This section shall be applied in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

SEC. 7. ADDITIONAL ALLOWANCE FOR MEMBERS OF ARMED FORCES.

(a) **IN GENERAL.**—Section 22 (b) (13) of the Internal Revenue Code (relating to additional allowance for military and naval personnel in computing net income) is amended to read as follows:

"(13) **ADDITIONAL ALLOWANCE FOR MILITARY AND NAVAL PERSONNEL.**—In the case of compensation received during any taxable year and before the termination of the present war as proclaimed by the President, by a member of the military or naval forces of the United States for active service in such forces during such war, or by a citizen or resident of the United States who is a member of the military or naval forces of any of the other United Nations for active service in such forces during such war, so much of such compensation as does not exceed \$1,500."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1942.

SEC. 8. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES UPON DEATH.

Chapter 1 of the Internal Revenue Code is amended by inserting after section 404 the following new supplement:

“Supplement U—Abatement of Tax for Members of Armed Forces Upon Death

“SEC. 421. ABATEMENT OF TAX FOR MEMBERS OF ARMED FORCES UPON DEATH.

“In the case of any individual who dies on or after December 7, 1941, while in active service as a member of the military or naval forces of the United States or of any of the other United Nations and prior to the termination of the present war as proclaimed by the President, the tax imposed by this chapter shall not apply with respect to the taxable year in which falls the date of his death, and the tax under this chapter and under the corresponding title of each prior revenue law for preceding taxable years which is unpaid at the date of his death (including interest, additions to the tax, and additional amounts) shall not be assessed, and if assessed the assessment shall be abated, and if collected shall be credited or refunded as an overpayment.”

SEC. 9. ASSISTANT COMMISSIONERS.

Subchapter B of Chapter 39 of the Internal Revenue Code is amended to read as follows:

“SUBCHAPTER B—ASSISTANT COMMISSIONERS

“SEC. 3905. APPOINTMENT.

“There shall be in the Bureau of Internal Revenue two Assistant Commissioners, who shall be appointed by the President, by and with the advice and consent of the Senate.

“SEC. 3906. DUTIES.

“The Assistant Commissioners shall perform such duties as may be prescribed by the Commissioner or required by law.”

SEC. 10. EXTENSION OF TIME IN CONNECTION WITH RELEASE OF POWERS OF APPOINTMENT.

Section 403 (d) (3) of the Revenue Act of 1942 is amended by striking out “July 1, 1943” wherever it appears and inserting in lieu thereof “March 1, 1944”; and section 452 (c) of the Revenue Act of 1942 is amended to read as follows:

“(c) RELEASE BEFORE MARCH 1, 1944.—

“(1) A release of a power to appoint before March 1, 1944, shall not be deemed a transfer of property by the individual possessing such power.

“(2) This subsection shall apply to all calendar years prior to 1944 and to that part of the calendar year 1944 prior to March 1, 1944.”

Approved June 9, 1943, 7 p. m., E. War Time.

